

Audit & Standards Committee

8 September 2016

Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **8 September 2016** at **10.00 a.m.**

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the Audit and Standards Committee meeting held on 23rd June 2016 and Matters Arising

REPORTS TO BE CONSIDERED IN PUBLIC

2. **External Auditors Audit Findings Report 2015/16**
3. **Statement of Accounts 2015/16**
4. **Annual Governance Statement 2015/16**
5. **Statement of Accounts 2015/16 – Pension Fund**
6. **External Auditors Progress and Update Report**
7. **Appointment of External Auditors**
8. **Adult Social Care Update**
9. **Work Programme and Future Meeting Dates**

To note the work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- Thursday 17th November 2016
- Wednesday 1st February 2017
- Thursday 1st June 2017

10. **Any Other Business**
11. **Reports Containing Confidential or Exempt Information**

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’.

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).

12. **Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 23rd June 2016**
13. **Internal Audit Progress Report**

The public reports referred to are available on the Warwickshire Web
www.warwickshire.gov.uk/cmis

Membership of the Audit and Standards Committee

Councillors: John Beaumont, Bill Gifford, John Horner, Chris Saint, Bob Stevens and June Tandy.

Independent Members: John Bridgeman CBE (Chair) and Bob Meacham OBE

For queries regarding this agenda, please contact:

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**Jim Graham
Chief Executive
Warwickshire County Council
September 2016**

The public reports referred to are available on the Warwickshire Web

www.warwickshire.gov.uk/cmis

**Minutes of the meeting of the Audit and Standards Committee
held on 23 June 2016**

Present

Members:

Councillors John Beaumont, Bill Gifford, John Horner, Chris Saint, Bob Stevens and June Tandy

Independent Members:

John Bridgeman CBE (Chair) and Bob Meacham OBE

Officers:

John Betts, Head of Finance
Sarah Duxbury, Head of Law and Governance
Virginia Rennie, Strategic Finance Manager
Garry Rollason, Chief Risk and Assurance Manager
Paul Spencer, Senior Democratic Services Officer

External Representatives:

Grant Patterson, Grant Thornton – Auditors
Andrew Reid, Grant Thornton – Auditors

1. General

(1) Apologies

None

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Councillor Bob Stevens declared non-pecuniary interests as a Governor of Southam College and Chair of the Investment Group on the Pension Fund Sub-Committee. Councillor John Horner declared a non-pecuniary interest in an aspect of the Internal Audit report, which related to one of his areas as the Portfolio Holder for Community Safety. Councillor June Tandy declared an interest as a recipient of a County Council pension from a previous employment.

(3) Minutes of the meeting of the Audit and Standards Committee held on 10 March 2016

It was agreed that the minutes be signed by the Chair as a true and accurate record, subject to the addition of the thanks that had been recorded to Janet Neale, Infrastructure Delivery Manager in respect of her work on Section 106 (planning) agreements.

As a matter arising, Grant Patterson provided clarification on the minute of Grant Thornton's update to the last meeting. This concerned the review of asset management processes and Adult Social Care. It would involve reviewing documentation and available evidence, checking performance

management information, whether any CQC inspections had taken place and through speaking to officers.

A member questioned whether the further information on the Section 106 monies, which identified allocations at the district/borough council level had been circulated. Some members could recall seeing this information, but this would be researched and recirculated.

2. Reports Containing Confidential or Exempt Information

It was resolved that members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

3. Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 10 March 2016

The Exempt Minutes of the previous meeting were approved.

4. Internal Audit Progress Report

The Committee received a report from the Chief Risk and Assurance Manager.

REPORTS CONSIDERED IN PUBLIC

5. Internal Audit Annual Report 2015/16

The Chief Risk and Assurance Manager presented the Annual Report, which summarised the results of Internal Audit work for the year ended 31 March 2016. Members praised the report which summarised the internal audit work undertaken during the year. This public document reflected the wide range of areas that the service and the Committee had considered. All areas of concern were being addressed, which should give assurance to the public. In particular it was noted that a report has been requested by Corporate Board outlining the action taken to address the findings of all "limited opinion" audits. It was confirmed that officer contact details were provided for the public via the Council's website.

6. Annual Governance Statement 2015/16

The Committee was reminded of the requirements to review the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS). The report presented by the Head of Law and Governance explained the purpose of the AGS and the 6 core principles which underpinned it. The report then set out the assurance gathering process, with an appendix illustrating recommended steps and the findings from this review.

In considering the draft AGS, members discussed the references to the Whistleblowing Policy. They were advised that a review of the whistleblowing policy and the arrangements that are in place was being taken by officers in Law and Governance and Human Resources. It was anticipated that the revised documents should be available by the autumn. It was questioned if there were any recorded cases of whistleblowing and this would be researched.

Under Core Principle 6, which concerned engagement and robust public accountability, it was stated that some of the community forums were not meeting the scheduled four times each year as reported in the AGS. This would be investigated and it may be necessary to review the wording of the draft AGS.

Related to this, members referred to the review of the community forums, low attendance at some of the forums and the reasons for this. In some areas, the frequency of meetings had been reduced. A request was made to reference the Armed Services Covenant in the AGS and the Committee was supportive of this suggestion.

The Committee endorsed the AGS, subject to clarification of the wording around the frequency of community forum meetings and to mention of the Armed Services Covenant.

7. Internal Audit Strategy 2016/17

The Chief Risk and Assurance Manager introduced the Internal Audit Strategy for 2016/17. Members reviewed the work plan and noted that this was supported by detailed working documentation. There were contingencies to enable the service to respond to unexpected risks or unforeseen issues. It was suggested that some of the smaller certification audits could be aggregated in future reports.

The Committee approved the Internal Audit Strategy for 2016/17 and noted that no changes were required to the Audit Charter.

8. External Auditors Report – Audit and Standards Committee Update

Grant Patterson and Andrew Reid of Grant Thornton provided an update. The circulated report included a summary of emerging national issues and developments and a number of challenge questions. The audit process was underway and members were advised of the timeline, which included reporting to the Committee's meeting in September.

The results of the interim audit work were discussed. It was noted that a formal independent assessment of the Internal Audit team would be required to comply with Public Sector Internal Audit Standards. This was planned to be undertaken in 2017. The Chair asked when the Committee would receive further information on this assessment and a report to explain the process would be brought to members early in 2017.

With regard to value for money, Andrew Reid advised that in future, a more risk based approach would be taken, assessed against three sub-criteria. As a result of Grant Thornton's initial risk assessment, there were three significant risks that had

been identified. One concerned sustainable resource deployment and there were two about working with partners and other third parties. Of those, the first related to Sustainability and Transformation Plans and the second was joining the West Midlands Combined Authority (WMCA) as a non-constituent member. These were discussed in turn. An outline was given of the further audit work that would be undertaken including when reports would be brought to the Committee. Other sections of the report covered joint venture companies, fighting fraud and corruption and the Local Government Pension Scheme, regarding pooling of assets. Supporting information on these areas could be provided. Members discussed pension fund requirements and the pooling of pensions.

The Audit and Standards Committee noted the External Auditor's Report.

9. County Council Reserves

Virginia Rennie, Strategic Finance Manager presented this report which gave a summary of the reserves position and the arrangements for the management of reserves. As at 31 March 2016, the authority had some £132.6 million in reserves. The Council had set a minimum reserve level

Questioning took place on the setting of the reserve level by accountants and whether elected members had sufficient information to be able to challenge this in a robust manner. It was confirmed that there was a corporate approach to the setting of reserves. The reliance on funding from Business Rates and Council Tax was discussed. This was an increasing risk area, with greater reliance on these funding sources as Government grant reduced. This was even more of an issue for district and borough councils. There was the potential for the Council Tax Base to reduce if there was another recession, at the same time as service demands were rising. Clarification was provided on the need for the Service Realignment Fund. This reserve met redundancy costs and had reduced from over £20m to its current level of £12.7m.

It was stated that elected members did challenge reserve levels at the setting of each budget. A prudent approach was taken, listening to professional advice to balance service development aspirations against known risks. It was noted that there was £3bn of reserves held nationally by local government. The ability for local authorities to borrow in times of recession was questioned, but this could not be done for revenue expenditure. Other comments made were the potential to reduce levels of Council Tax, a view that the reserve for the Medium Term Financial Plan was over stated and it was noted that when schools became academies, they were entitled to take the reserves for that school from the local authority.

The report on the County Council's reserves position was noted.

10. Work Programme and Future Meeting Dates

The Audit and Standards Committee noted the Work Programme and future meeting dates.

11. Any Other Business

None

The Committee rose at 12.15pm.

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Chair

Audit and Standards Committee

8 September 2016

External Auditors Audit Findings Report 2015/16

Recommendations

The Committee is asked to:

- 1) Endorse and comment on the Annual Governance Report of the External Auditors for Warwickshire County Council, attached at Appendix A, and consider whether there are any matters you wish to bring to the attention of Council.
- 2) Approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at Appendix B.

1.0 Purpose of the Report

- 1.1. Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the County Council's financial statements before issuing their final opinion. Their report for 2015/16 is attached at **Appendix A**. This report is in addition to the usual Audit Management Letter which will be presented to this Committee later this year. A separate audit findings report is required for the Warwickshire Pension Fund; this can be found elsewhere on today's agenda.
- 1.2. As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Head of Finance and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of their knowledge.
- 1.3. The Audit and Standards Committee are asked to approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation for the County Council (**Appendix B**). The final version of the letters will be signed, by the Chair of the Council and the Head of Finance, when the accounts are approved by Council on 22 September 2016.

- 1.4. The Engagement Partner for Grant Thornton and the Audit Manager will attend the meeting to present their report.

2.0 Background Papers

- 2.1 None.

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The report was circulated to the following members prior to publication:

None

The Audit Findings for Warwickshire County Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2016

12 August 2016

Grant Patterson

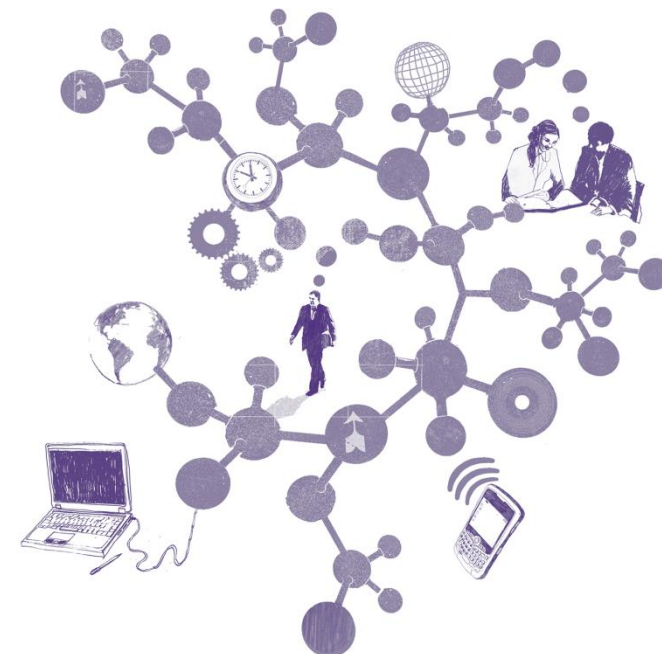
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Warwickshire County Council
Shire Hall
Warwick
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12 August 2016

Dear Sirs

Audit Findings for Warwickshire County Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Warwickshire County Council, the Audit and Standards Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents will be discussed with the Audit and Standards Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Grant Patterson
Director

Chartered Accountants

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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Warwickshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated February 2016. At page 12 we highlight the work we have undertaken in respect of fair value disclosures required under IFRS 13 which we identified as being required after we presented our Audit Plan.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt of all outstanding bank and investment confirmations
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- review of annual Teachers Pension return
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing a unqualified (unmodified) audit opinion in respect of the financial statements (see Appendix B).

We have identified no adjustments affecting the Council's reported financial position.

We recommended a number of presentational amendments to the draft accounts which have been actioned in the final version of the accounts.

In preparation for the earlier sign off deadline of 31 July which will apply for the sign off of your 2017/18 accounts, we sought to complete most of our audit work and issue our draft Audit Findings Report by the end of July 2016. We are pleased to report that, by working closely with the Council's finance staff throughout the year, we were able to achieve this.

Further details are set out in section two of this report.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we initially determined overall materiality to be £13,471k (being 1.8% of forecast gross revenue expenditure). We reviewed this figure on receipt of draft accounts and amended it to £13,907k (being 1.8% of actual gross expenditure for the year).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £695k (being 5% of overall materiality).

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	N/A
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For this Council, we have concluded that the greatest risk of material misstatement relates to the occurrence/existence of other income and receivables.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted for the Council's income from tax and non specific grants (£344m), and other grants (£307m) , because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable. <p>However we have not rebutted the risk of fraud in relation to the Council's income from fees and charges (£97m) and in response have completed:</p> <ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of fees and charges revenue streams, including review of unusual significant transactions. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p> <p>Our testing of receivables identified one manual debtor amount which had been incorrectly included as at 31 March 2016. Further extended testing of other manual debtor balances did not identify any further issues.</p> <p>The value of the debtor incorrectly included was £386k; as this figure is below our "trivial" threshold we are not recommending that any adjustment to the accounts is made.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have completed:</p> <ul style="list-style-type: none"> • review of entity controls • testing of journal entries • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment The Council employs an internal valuer to revalue its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>We have completed:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate. Review of the competence, expertise and objectivity of the internal valuer used. Review of the instructions issued to the valuer and the scope of their work Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. 	<p>Our audit work has not identified any material issues in relation to the valuation of property, plant and equipment.</p> <p>The Council has undertaken a review of asset registers during the year which has led to the write off of assets which could not be verified, and the reclassification of other assets between categories. The values involved were:</p> <ul style="list-style-type: none"> Gross cost and depreciation of vehicles, machinery, furniture and equipment written off - £5.2m (nil next book value) Valuation of land, buildings and assets under construction reclassified as investment property - £4.5m
4.	<p>Valuation of the pension liability There is a risk that the underlying data provided to the actuarial expert is incorrect resulting in a material misstatement in the pension fund valuation.</p>	<p>We have completed:</p> <ul style="list-style-type: none"> an assessment of the arrangements in place for the County Council to obtain assurance that correct information has been provided to the Actuary by the Pension Fund. Review of the work of the Council's expert actuary and their judgements, estimates and assumptions used to determine the value of the pension scheme. 	<p>Our audit work has not identified any material issues in relation to the valuation of the pension liability.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • obtained assurance on the completeness of the subsidiary system interfaces • cut off testing of after date payments, purchase orders and goods received notes • a review of the accruals process. 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • review of payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements. • review of monthly trend analysis of total payroll • review of year end payroll accruals. 	Our audit work has not identified any significant issues in relation to the risk identified.

New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan



	Issue	Commentary
1.	<p>Valuation of surplus assets and investment property and fair value disclosures under IFRS 13</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a potential change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements relating to financial assets and liabilities under IFRS 13 which the Council needs to comply with.</p> <p>We had not previously reported this risk in our 2015/16 Audit Plan.</p>	<p>The Council does not hold material surplus assets.</p> <p>The Council holds investment properties valued at £40.4m at 31 March 2016. For investment properties, we have completed:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work. • Discussions with the valuer about the basis on which the valuation was carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Review of the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13. <p>Our audit work has not identified any material issues in relation to the valuation of investment properties or the associated fair value disclosures under IFRS 13.</p>

Significant matters discussed with management

	Significant matter	Commentary
1.	Business conditions affecting the Council and business plans and strategies that may affect the risks of material misstatement	<p>We have discussed the current financial environment in which the Council operates, the budget setting process for 2016/17, and progress to date on delivery of the One Organisational Plan 2014-18 to inform our Going Concern assessment.</p> <p>We have reviewed the formal going concern assessment which the Council have prepared as part of the 2015/16 year end process, which has included consideration of cash flow forecasts and requirements for a period of 12 months from the date of final approval of the financial statements.</p> <p>Management response</p> <ul style="list-style-type: none">• Management have confirmed that they consider that the Council remains a going concern.

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>The accounting policy recorded in the notes to the accounts is as follows:</p> <ul style="list-style-type: none"> • 'Activity is accounted for in the year that it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when we are owed it rather than when we receive it. Expenditure is recorded in our accounts when services are provided, rather than when we actually make a payment and supplies are recorded as expenditure when we use them. Where income and expenditure have been recognised but cash has not been received/paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject do a de minimis level for non-system generated accruals of £50,000 that managers can use if they wish. We do not expect the effect to be material to the overall accounting position.' • In relation to Government grants the policy is as follows: 'Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them.' 	<p>The policies are considered appropriate under the accounting framework</p>	<p style="text-align: center;">  Green </p>
<p>Judgements and estimates</p>	<p>The Council has disclosed the key judgements within the notes to the accounts as relating to:</p> <ul style="list-style-type: none"> • There is a high degree of uncertainty about future levels of funding for local government. • Local Authority maintained schools contribute to meeting the Council's service objectives both now and in the future and therefore their expenditure, income and the assets they use in the provision of services should form part of the accounts. • Schools transferring to academy status are accounted for as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed. • The Council is not required to prepare group accounts. <p>The Council has disclosed the following sources of estimation uncertainty within the notes to the accounts:</p> <ul style="list-style-type: none"> • Valuation of PPE • Valuation of the pensions liability • Fair value valuation of investment property. 	<p>The judgements and estimates used by the Council appear reasonable</p>	<p style="text-align: center;">  Green </p>



Assessment

● Marginal accounting policy which could potentially attract attention from regulators




● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Written representations	<ul style="list-style-type: none"> Our review found no non-trivial omissions in the financial statements.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Disclosures	<ul style="list-style-type: none"> We obtained direct confirmations for PWLB loans and requested from management permission to send confirmation requests for bank and investment balances . This permission was granted and the requests were sent and returned with positive confirmation.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report on a number of matters by exception in a number of areas. We have not identified any issues we would be required to report by exception in the following areas <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>Our work is not yet complete but will be completed by the end of September 2016.</p>

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses..

The controls were found to be operating effectively and we have no matters to report to the Audit and Standards Committee.

Adjusted misstatements

No adjustments to the draft financial statements were identified during the audit process.

Unadjusted misstatements

No non-trivial unadjusted misstatements were identified during the audit process.

Misclassifications and disclosure changes

A number of presentational and/or disclosure changes were made to the draft accounts during the audit process. The most significant of these are detailed below.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Classification	Net nil value	Note 9 – Reclassification between community schools land and buildings as at 31 March 2015	Reclassification between community schools land and buildings as at 31 March 2015 within disclosure note 9 - £29.4m. No impact on total schools valuation or on other elements of the financial statements.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2016 and identified the following significant risks, which we communicated to you in our Progress Report to the Audit Committee in June 2016:

- **Sustainable resource deployment** – progress on update of One Organisational Plan
- **Working with partners and other third parties** – progress on development of area based Sustainability and Transformation Plans (STPs) and on implementation of the Better Care Fund; progress on development of the West Midlands Combined Authority

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- **Sustainable resource deployment** - Progress made the Council in developing and delivering savings plans
- **Working with partners and other third parties** – Development of the Council's membership of the West Midlands Combined Authority; development of the Sustainability and Transformation Plan for Coventry and Warwickshire; implementation of the Better Care Fund.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 22 and 23.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents. The work is substantially complete but we are completing our reviews of additional documentation provided by the Council to allow us to form a final view at the time we issue our auditor's report.

Significant risk	Work to address	Findings and conclusions
<p>Sustainable resource deployment</p> <p>The Council has a "One Organisation plan 2014-2018" in place which identified the need to make significant savings (£92m). Our assessment in 2014/15 was that it was on track to deliver. However, the spending review announcement in December 2015 has led to further reductions in funding which has led the Council to identify the need to revisit this plan and reassess levels of savings required for 2016/17 and beyond – potentially £10m of further savings will be needed in 2016/17.</p>	<p>Discuss key strategic challenges and the Council's proposed response</p> <p>Review of reports to members on:</p> <ul style="list-style-type: none"> the outturn position for 2015/16 and the budget plans for 2016/17 and 2017/18 the Council's progress in updating its medium term financial strategy . 	<p>The Council underspent against controllable budgets by £1.831m in 2015/16 and as at the end of 2015/16 remained on track to deliver the required savings as set out in the "One Organisational Plan 2014-18".</p> <p>In response to the December 2015 spending review the Council has launched a new 3 year "One Organisational Plan 2017-2020" aimed at identifying further savings by 2020 to enable continued delivery of a balanced financial position. A further update on progress is due to be presented to the Council in September 2016.</p> <p>The Council approved a 2016/17 budget in February 2016 which includes:</p> <ul style="list-style-type: none"> Savings requirements of £16.062m in 2016/17 and £20.236m in 2017/18 Use of reserves and contingencies in 2016/17 of £21.546m.
<p>Working with partners and other third parties</p> <p>The West Midland Combined Authority (WMCA) has been set up within the region in order to help rebalance the West Midlands economy, closing the £16bn output gap and leading the Midlands Engine. In order to do this the WMCA needs to work together across geographic boundaries and sectors.</p> <p>In May 2016 the Council have taken the decision to join WMCA as a non-constituent member with a view to negotiating the basis of an acceptable deal on which Warwickshire could become a constituent member.</p>	<p>Discussion with officers and review of reports to members to assess progress made in development its membership of the West Midland Combined Authority and the extent to which it has been able to assess that this will support delivery of its strategic priorities.</p>	<p>WMCA was formally established as a new Authority on 17 June 2016. It has established a Leaders Board, which includes representation from Warwickshire County Council, and held its first AGM on 29 June 2016.</p> <p>The Leader of Warwickshire County Council has been invited to be the Finance & Property Portfolio holder for the WMCA.</p> <p>The Council has started discussions on the terms of an agreement which could allow it become a constituent member and the role that it would play in the next phase of devolution negotiations.</p>

Key findings (continued)

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p>Working with partners and other third parties</p> <p>In March 2016, NHS England announced plans for area-based Sustainability and Transformation Plans (STPs) aimed at driving improvements in health and care outcomes between 2016 and 2021. One of the areas announced for these plans covers Coventry and Warwickshire.</p> <p>The Council will need to engage with other health and local government bodies within the Coventry and Warwickshire STP area to ensure robust plans are developed and delivered.</p>	<p>Discussion with officers and review of reports to members to assess progress on:</p> <ul style="list-style-type: none"> development and delivery of Sustainability and Transformation Plans for Coventry and Warwickshire <p>Discussion with officers and review of reports to members to assess progress on:</p> <ul style="list-style-type: none"> Implementation of the Better Care Fund 	<p>The Council's Interim Strategic Director, People Group is a member of the Sustainability and Transformation Board of the Coventry and Warwickshire STP, which has been formally meeting on a fortnightly basis since April 2016 and is also attended on a regular basis by the Council's Chief Executive. There is also a Programme Board which is attended by the Director of Public Health and the Head of Strategic Commissioning.</p> <p>The Coventry and Warwickshire Health and Well Being Boards agreed a joint concordat in June 2016 setting out how they will work together on common goals for the population.</p> <p>The STP have set out formal ambitions and plans in a June 2016 submission to NHS England, in line with the national timescales. These plans address all required areas set out in the national framework for STPs. Along with other areas nationally there is further work to be done during the autumn on the delivery plans.</p> <p>The Council has clear plans in place for the Better Care Fund:</p> <ul style="list-style-type: none"> total annual spend covered by agreed schemes - £36.1m Warwickshire County Council agreed contribution - £3.7m. <p>Detailed specifications have been agreed for all schemes included within the fund, setting out the purpose, aims, spending plans, commissioning and contracting arrangements for each scheme. Actual spend by scheme is monitored throughout the year.</p> <p>The Council has reviewed governance arrangements around the Better Care Fund and has taken action in 2015/16 to strengthen the support to the Health and Well Being Board through the establishment of a HWB Executive Team which includes chief officer representation from health and social care bodies across Warwickshire and allows strategic oversight of both the BCF and the STP.</p> <p>The Health and Well Being Board has agreed a range of metrics to monitor performance on health outcomes, including:</p> <ul style="list-style-type: none"> Non elective admissions Delayed transfers of care Residential admissions Reablement Carer reported quality of life Management of long term conditions. <p>Whilst targets set for 2015/16 in 4 of these 6 areas were not met, their use provides a clear focus on the outcomes which the Health and Well Being Board is seeking to achieve through the work of the Better Care Fund.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Public interest report	<ul style="list-style-type: none"> We have not identified any matters that would require a public interest report to be issued.
2.	Written recommendations	<ul style="list-style-type: none"> We have not made any written recommendations that the Council is required to respond to.
3.	Application to the court for a declaration that an item of account is contrary to law	<ul style="list-style-type: none"> We have not used this duty.
4.	Issue of an advisory notice	<ul style="list-style-type: none"> We have not used this duty.
5.	Application for judicial review	<ul style="list-style-type: none"> We have not used this duty.
6.	Questions and objections	<ul style="list-style-type: none"> We received an objection to the accounts under section 27 of the Act on 10 August 2016, within the statutory inspection period. We will consider this objection and take action as appropriate.

Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services in 2015/16

Fees

	Proposed fee £	Final fee £
Council audit	94,539	94,539
Total audit fees (excluding VAT)	94,539	94,539

Fees for other services

Service	Fees £
Audit related services:	
• Certification of Teachers' Pension return	4,200
Non-audit services	
• CFO insights	30,000 (payment covers 3 year contract @ £10,000 per year)

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Grant certification

Fees in respect of grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unqualified (unmodified) audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICKSHIRE COUNTY COUNCIL

We have audited the financial statements of Warwickshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects *the Authority* has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2016. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have completed our consideration of [an objection/objections] brought to our attention by [a local authority elector/local authority electors] under Section 27 of the Act. We are satisfied that [this matter does/these matters do] not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.]

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
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Birmingham
B4 6AT

22 September 2016



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Grant Thornton UK LLP
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22 September 2016

Dear Sirs

**Warwickshire County Council
Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the financial statements of Warwickshire County Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of noncompliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a) there are no unrecorded liabilities, actual or contingent
 - b) none of the assets of the Council has been assigned, pledged or mortgaged
 - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding

or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xv Restatements made to comparative information as at 31 March 2015 are appropriate.
- xvi We are satisfied that the carrying value of Property, Plant and Equipment assets included in the balance sheet is not materially different from their current value as at 31 March 2016.

Information Provided

- xvii We have provided you with: access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters; additional information that you have requested from us for the purpose of your audit; and unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xviii We have communicated to you all deficiencies in internal control of which management are aware.
- xix All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - a) management;
 - b) employees who have significant roles in internal control; or
 - c) others where the fraud could have a material effect on the financial statements.
- xxii We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxiii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Statement

xxvii The disclosures within the Narrative Statement fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 8 September 2016.

Yours faithfully

Name: Bob Hicks
Position: Chair of the Council
Date: 22 September 2016

Name: John Betts
Position: Head of Finance
Date: 22 September 2016

Signed on behalf of the Council

Audit and Standards Committee

8 September 2016

Statement of Accounts 2015/16

Recommendation

The Committee is asked to consider the 2015/16 Statement of Accounts and recommend them to Council for approval.

1.0 Purpose of the Report

- 1.1. This report presents the Statement of Accounts for 2015/16.
- 1.2. The Statement of Accounts for Warwickshire County Council comprises of:
 - The statement of responsibilities for the accounts
 - A narrative statement by the Head of Finance
 - The core financial statements, comprising:
 - The movement in reserves statement
 - The comprehensive income and expenditure statement
 - The balance sheet as at 31 March 2016
 - The cash flow statement
 - The statement of accounting policies
 - The notes to the core financial statements
 - The Fire-fighters Pension Fund Statement
- 1.3. A recommendation to Council of the Annual Governance Statement, which will form part of the County Council's 2015/16 Statement of Accounts when they are published, is sought as a separate report on today's agenda. The Warwickshire Pension Fund is a separate body and, as such, has its own statement of accounts. A report seeking a recommendation in respect of the 2015/16 Warwickshire Pension Fund Statement of Accounts is also elsewhere on today's agenda.
- 1.4. Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International

Financial Reporting Standards (IFRS) and also the accounting and financing regulations of central government.

- 1.5. This covering report explains the key features of the primary statements and notes that make up the 2015/16 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.
- 1.6. The Committee is asked to consider the 2015/16 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval, highlighting any issues that they wish to bring to Council's attention. Following their approval by Council the Statement of Accounts will be published, in accordance with regulations, by the end of September.

2.0 Narrative Statement

- 2.1 The purpose of the narrative statement is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 4 July 2016.

3.0 Core Financial Statements

3.1 Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2014/15 and 2015/16.

3.2 Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in a standard format as set out by the 'service reporting code of practice for local authorities'. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.

- Other comprehensive income and expenditure: Is a catch-all for items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pensions assets/liabilities.

3.3 Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2016. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

3.4 Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

4.0 Accounting Policies and Notes to the Core Financial Statements

4.1 The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them. A change of accounting policy relating to the valuation of the authority's assets and liabilities at fair value was required by the Accounting Code of Practice this year. Our accounting policy for the implementation of this new requirement was approved by this Committee on 10 March 2016. There was no material impact on the Statement of Accounts as a result of the implementation of this new policy.

4.2 The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and include a lot of technical terms. However, the additional disclosures include important information and provide the context for the figures in the core financial statements.

5.0 Fire-fighters Pension Fund Statement

5.1 It is unusual for an unfunded pension scheme (such as the fire-fighters scheme) to have a fund as it holds no assets that need to be ringfenced. We collect in the Fund contributions receivable from Warwickshire County Council (as the employer) and firefighters (employee) contributions and pay out any benefits due. The Fund is then balanced to nil at the end of each financial year

by either paying over or receiving pension fund top-up grant from the government.

6.0 Audit Status

- 6.1 The attached 2015/16 Statement of Accounts has been audited and the Audit Findings Report from the external auditors, Grant Thornton is elsewhere on today's agenda.
- 6.2 The audit opinion is also included in that auditors report and will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Head of Finance following approval of the accounts at Council on 22 September 2016. A letter of representation is provided in connection with the audit of the 2015/16 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief, having made appropriate enquiries, that the financial statements give a true and fair view.
- 6.3 The approved accounts will be published alongside the authority's Annual Governance Statement (elsewhere on the Agenda) together with the signed audit opinion by 30 September 2016 in line with statutory regulations.

7.0 Background Papers

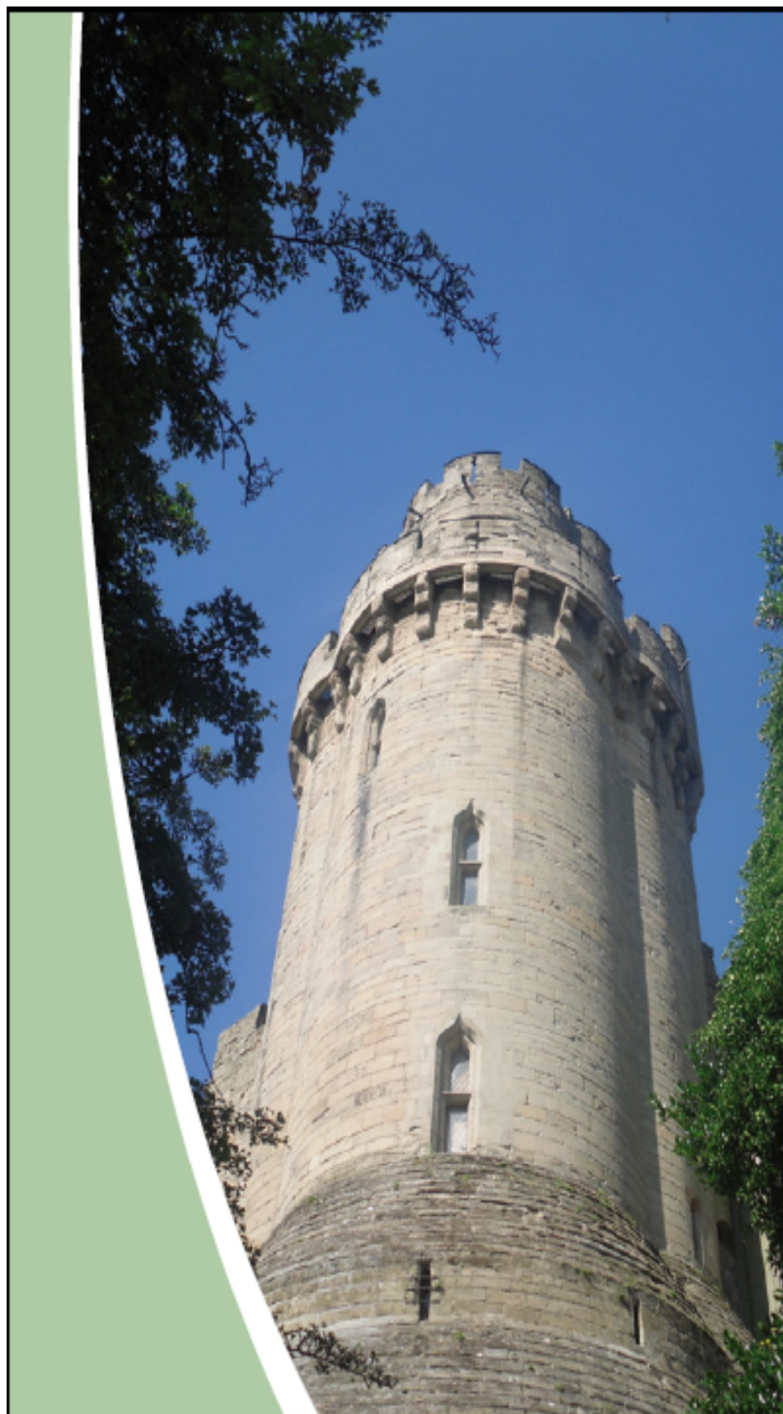
- 7.1 None.

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The following Elected Members have been consulted on this report prior to its publication:

None

Warwickshire County Council



Statement of Accounts and Annual Governance Statement

2015/16



*Working for
Warwickshire*

We would welcome any comments or suggestions you have about this publication. Please contact Virginia Rennie, Corporate Finance and Advice, Resources Group, Warwickshire County Council.

- Phone: 01926 412239
- E-mail: vrennie@warwickshire.gov.uk

You can also leave your comments on our website at www.warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you. Please contact Navdip Sodhi on 01926 418174.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WARWICKSHIRE COUNTY COUNCIL**

Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly, in line with the Accounts and Audit Regulations 2015.

Responsibilities of the Council

We do the following:

- Make sure that one of our officers is responsible for managing our financial affairs. In this council, the Head of Finance is responsible for this.
- Manage our affairs to make sure we use our resources efficiently and effectively and protect our assets.
- Approve the statement of accounts.

Responsibilities of the Head of Finance

As the Head of Finance, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing our statement of accounts, I have:

- Selected suitable accounting policies and applied them consistently;
- Made reasonable and prudent judgements and estimates; and
- Followed the Chartered Institute of Public Finance and Accountancy/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have also:

- Kept proper accounting records which are up to date; and
- Taken steps to prevent and detect fraud and other irregularities, including preparing an audit risk management strategy.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Warwickshire County Council at 31 March 2016 and the income and expenditure for the year ended 31 March 2016. The unaudited draft accounts were authorised for issue on 30 June 2016. These were audited and were considered and approved at a meeting of the Council on 22 September 2016.



John Betts
Head of Finance

Date: 30 June 2016

Councillor Bob Hicks
Chair of the Council

Date: 22 September 2016

Narrative Statement (Report) by the Head of Finance

This section highlights some of the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.

Introduction

I am pleased to introduce our Financial Accounts for 2015/16. They represent the financial results of the delivery of the second year of our 2014-2018 One Organisational Plan. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year. This narrative report is set out in three parts. The first provides some key information that summarises our financial performance in 2015/16 and our effectiveness in the use of resources. The second part looks forward, outlining the impact of the current economic climate and the risks we face on our resources and the services we provide. The third part provides information on how the Financial Accounts for 2015/16 are set out to help you navigate through what is at times a quite technical pack of information. This level of information is required to ensure we comply with proper accounting practices and meet strict reporting requirements laid out by International Financial Reporting Standards (IFRS).

In considering this report, you should note that the underspend reported against service budgets which we use internally to monitor our financial performance is not directly comparable to the surplus disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies or the glossary.

Public inspection

It is important that members of the public have the opportunity to provide comment and question our Statement of Accounts. Therefore the draft Statement of Accounts for 2015/16 was available for inspection from 1 July 2016 to 11 August 2016. The formal audit of our accounts began on 13 June 2016 and we received an unqualified opinion on the Statement of Accounts on **xx September 2016**. This means that in the External Auditors' opinion our accounts give a true and fair view of the financial position of the County Council.

Capital and revenue spending

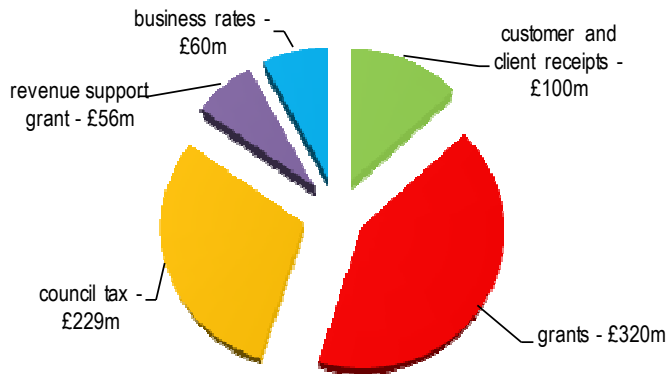
We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Our capital spending relates to items we have bought and which will be used for more than one year. An amount is charged to our revenue accounts each year to reflect a cost equivalent to the economic use of our assets in that year.

Revenue spending – what we have received and spent

This section provides a high level summary of the sources of income we have used in 2015/16 and sets out the ways in which this has been spent.

How we received our money

Our total revenue income in 2015/16 was £765 million. £230 million was used by schools, £530 million was used to fund our services and the balance of £5 million has been set aside for use in future years.

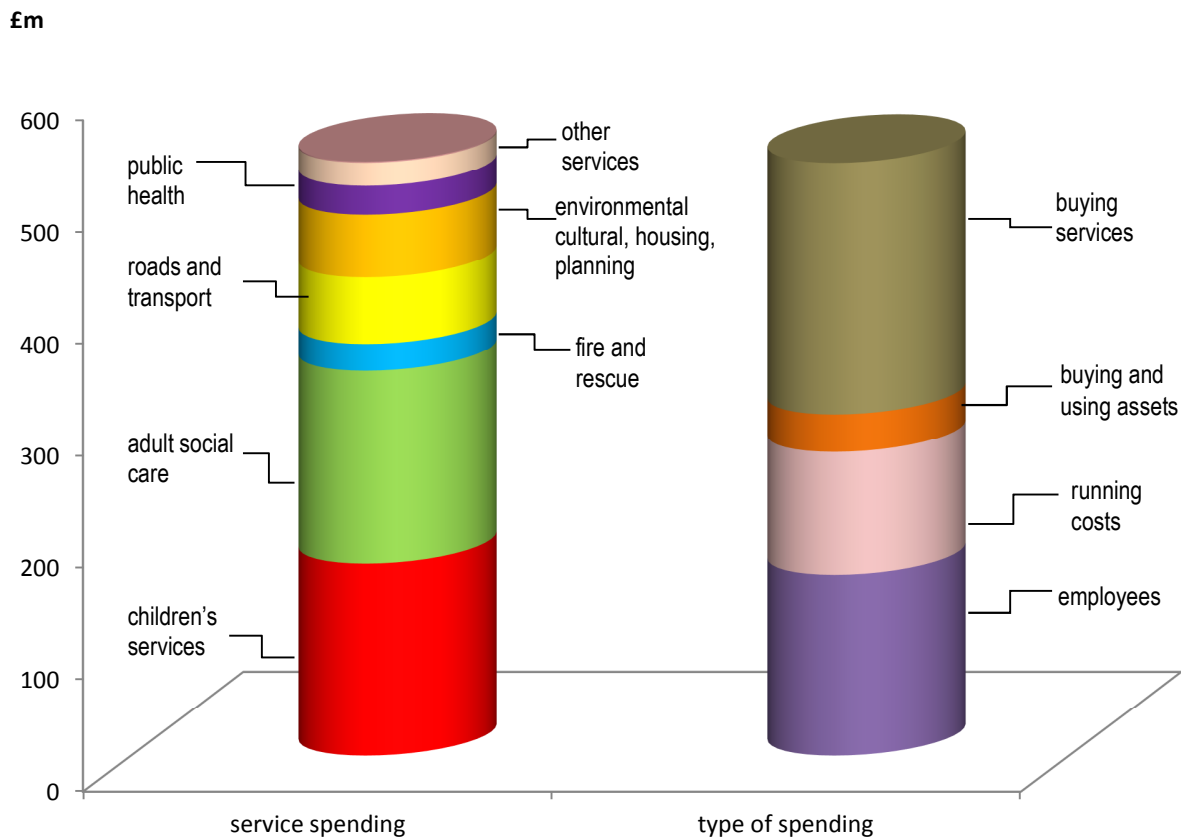


The main sources of revenue income received in 2015/16 to support the revenue budget of our services are shown in the chart on the left.

This income is from council tax (30%) and our share of business rates (8%), with 49% from government grant and 13% from customer and client receipts.

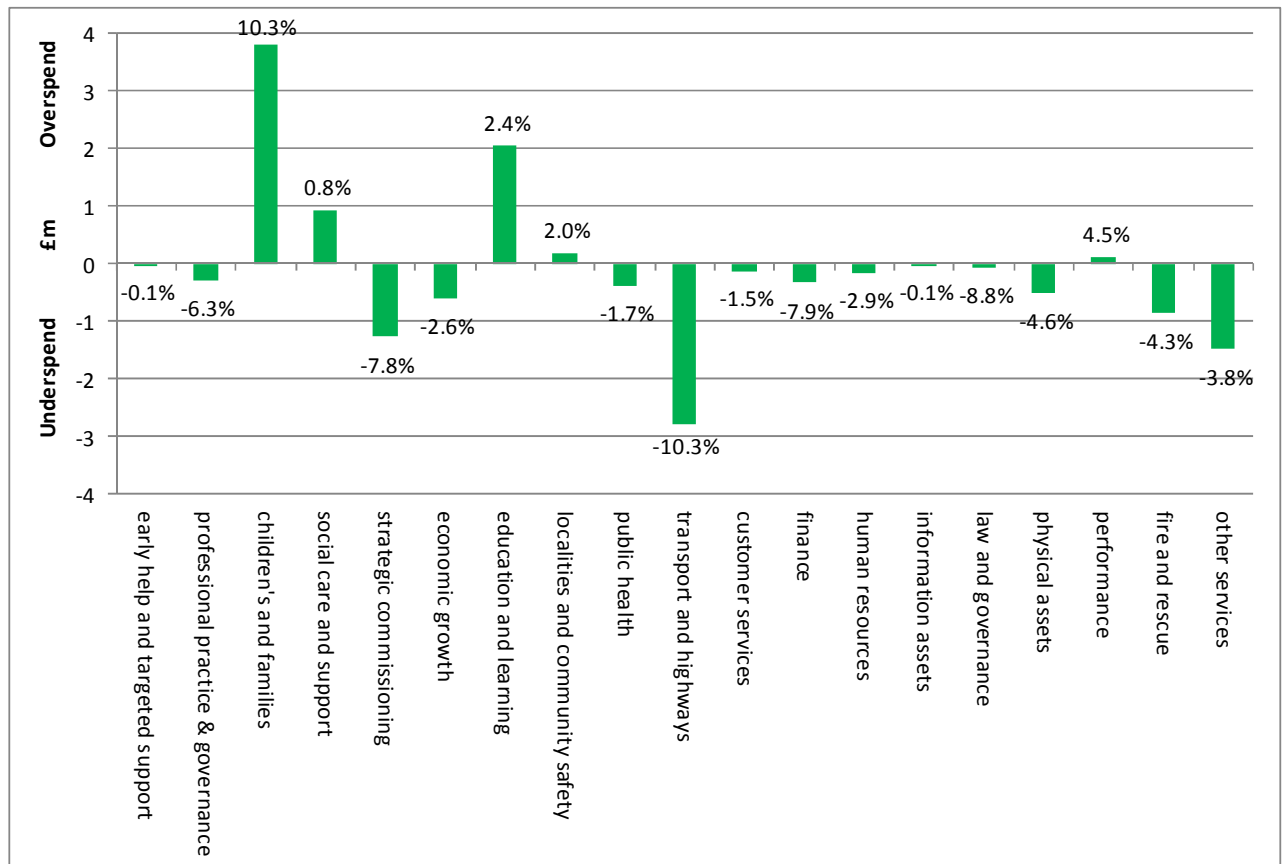
What we have spent

We have spent £530 million of our revenue income to finance the various services we provide (excluding schools), as illustrated in the chart below. The £530 million, schools spending (£230 million) and net technical adjustments that are not part of our management accounts of £13 million make up the gross cost of services



Revenue spending compared to our plans

The chart below sets out our financial performance, by Business Unit, in 2015/16 compared to the approved budget.



The key features of our financial performance in 2015/16 are:

- We planned to use £4 million of our reserves to support the delivery of services in 2015/16
- Services spent £2 million less than their cash-limited budget, combined with the underspend in schools and additional government grants (£7 million) we were able to increase our reserves by £5 million.
- This funding is available to support investment and the delivery of savings over a longer period. Our current plans are outlined in the Medium Term Outlook section of this narrative report.

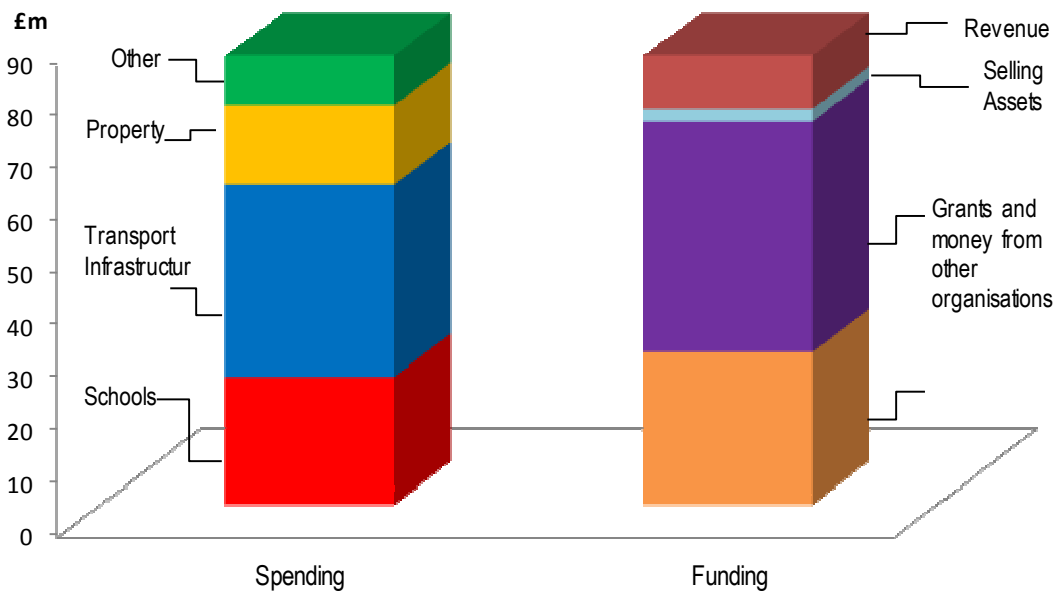
Savings and efficiencies

2015/16 was the second year of our four-year One Organisational Plan. Implementation of this plan requires savings of £69 million to be delivered, of which £30 million had been delivered by the end of 2015/16. £39 million of savings remain to be delivered by the end of 2017/18. Progress on the delivery of savings is managed as part of quarterly progress reports on the delivery of the 2014-18 One Organisation Plan.

At the end of the year we have the equivalent of 4,068 full-time employees. This is a decrease of 90 over the last year.

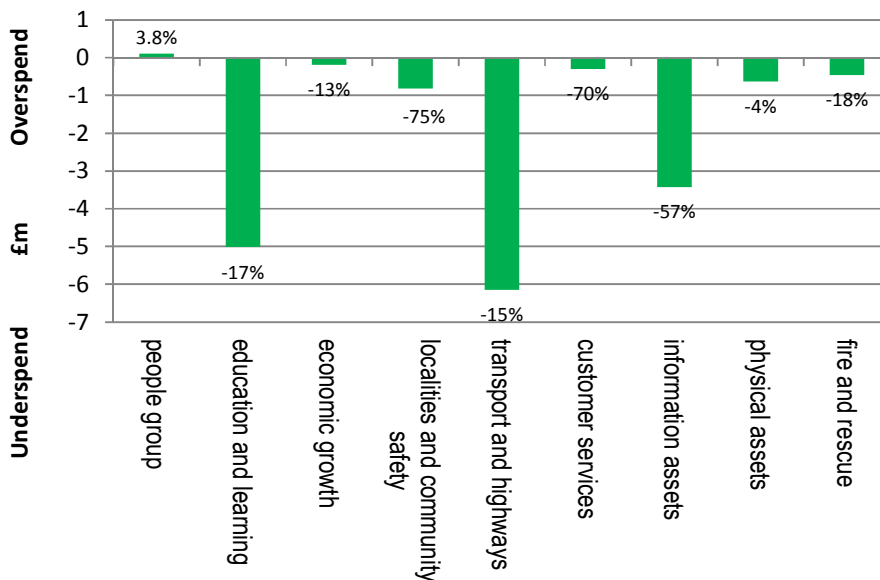
Capital spending

We spent £86 million on the purchase and creation of assets in 2015/16. Further details on the sources of finance and the areas of spending are provided in the chart.



Capital spending compared to our plans

Our spending was £14 million less than our estimate of £100 million. This underspend was due to delays on individual projects. Most of this spending now is expected to be incurred in 2016/17.



The chart on the left sets out our capital spend, by Business Unit, in 2015/16 compared to the approved budget.

Our financial performance is monitored by Cabinet through the quarterly One Organisational Plan Progress report, which combines financial reporting with performance and risk reporting. You can get more information on our overall 2015/16 revenue and capital spending and the delivery of our planned savings in the end-of-year One Organisational Plan Progress report to Cabinet on 4 July 2016.

(<https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx>)

The value of our assets

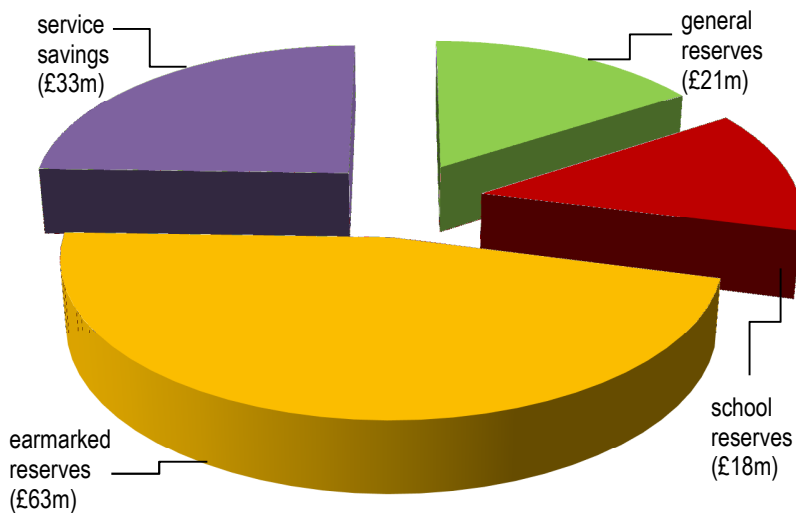
The value of our Property, Plant and Equipment assets has decreased from £1,264 million to £1,260 million. The main reasons for the £4 million decrease in the value of our assets during 2015/16 are:

- Schools valued at £20 million transferring to academy status during 2015/16, resulting in them no longer being part of our asset base;
- The sale of assets valued at £2 million as part of our on-going property rationalisation programme;
- £69 million investment in assets that we own; and
- A charge for the use of assets during the year of £48 million.

Next year our accounts will include a new way of measuring the value of our transport infrastructure assets. It is estimated this mandated change will increase the value of our assets by £7.4 billion (not yet subject to audit). As part of the change a new category of assets, to be called Highways Network Assets will be included in our Balance Sheet.

Reserves

We have set up a number of reserves for specific purposes and for events we know are going to happen (earmarked reserves). We also have a General Fund and service savings that we keep to manage potential risks that we continually assess.



At 31 March 2016 our usable revenue reserves are £135 million. A breakdown is shown in the chart on the left. £22 million of these reserves are planned to be used to support the budget in 2016/17.

Pensions

At 31 March 2016 our pensions' liability was £681 million, a decrease of £146 million over the year. Whilst this is shown as a long-term liability in our accounts, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and means that our financial position remains healthy.

Borrowing and investments

We undertake treasury management activities in a prudent and flexible manner so as to ensure our capital spend is funded at the lowest cost whilst retaining sufficient liquid funds to provide for day-to-day cashflow requirements. These activities are managed within an overall framework determined by the annual Treasury Management Strategy.

The key highlights of the Council's Treasury Management activities in 2015/16 are:

- Whilst the average rate that financial institutions lend money to each other (LIBID) was 0.36% during 2015/16 our treasury management activity generated average interest on investments of 1.01%;
- We have managed the Council's money prudently, with investments made to the UK Debt Management Office and to other local authorities in line with our Treasury Management Strategy;
- Total long-term debt outstanding is £353 million at 31 March 2016 compared to £378 million at 31 March 2015; and
- At 31 March 2016 we are holding £169 million of cash or cash equivalents, an increase of £21 million from the previous year.





Delivery of the 2014-18 One Organisation Plan







In February 2014 we agreed our 2014-18 One Organisation Plan that outlined our proposals to shape the future of Warwickshire over the next four years. We know that more people will be living in the county and the make-up of Warwickshire's households will change. We know that people will access services in different ways and technology will play a big role in this.

Our core purpose is to "develop and sustain a society that looks after its most vulnerable members, delivers appropriate, quality services at the right time and seeks opportunities for economic growth and innovation". We will know that we are on the right track when:

- Our communities and individuals are safe and protected from harm and are able to remain independent for longer;
- The health and well-being of all of Warwickshire is protected;
- Warwickshire is seen as a centre of choice for business with excellent communication and transport links;
- Our economy is vibrant and thriving so residents will have access to jobs, training and skills development to secure economic growth; and
- Resources and services are targeted effectively and efficiently whether delivered by the local authority, commissioned or in partnership.

Overall, at the end of the second year of the 2014-18 One Organisation Plan we are not on target to deliver our high level outcomes by 2018. Two are on course to be achieved by 2018. Further details are shown below.

	<p>Our communities & individuals are safe and protected from harm and are able to remain independent for longer</p>	<p>Our vulnerable individuals are safe, protected from harm and independent for longer</p> <p>Our children live in safe and supportive families</p> <p>Our communities and individuals are encouraged to help themselves and feel safe and secure</p> <p>Our voluntary sector provides a strong offer of targeted support</p>	
	<p>The health & wellbeing of all in Warwickshire is protected</p>	<p>Improved health and well-being for everyone</p> <p>Our residents have choice and exercise maximum control over their health and social care regardless of where they live</p> <p>Our residents are happy and have good levels of mental and physical health</p> <p>Young people understand the choices available to lead healthy lives</p> <p>Our residents enjoy an enhanced quality of life</p>	

	<p>Our economy is vibrant, residents have access to jobs, training & skills development</p>	<p>Warwickshire is the business centre of choice for the region</p> <p>Our economy provides quality jobs and unlocks entrepreneurship</p> <p>Our young people are supported to meet their needs and aspirations</p> <p>Our residents learn throughout their lives, are skilled and ready for employment and fulfil their potential</p>	
	<p>Warwickshire's communities are supported by excellent communications and transport infrastructure</p>	<p>Our planning infrastructure delivers strategic solutions for partners and ourselves</p> <p>Our integrated sustainable transport networks are fit for the future and meet the needs of residents and businesses</p> <p>The digital divide in Warwickshire is addressed and opportunities from new technologies are maximised</p>	
	<p>Resources and services are targeted effectively and efficiently whether delivered by the local authority, commissioned or in partnership</p>	<p>The council's budget remains balanced and resources and managed effectively</p> <p>High quality needs based public services are deployed effectively and efficiently no matter how they are provided</p> <p>Customers access information through multiple channels and demand for council services is effectively managed</p> <p>Our staff are highly skilled and supported</p> <p>Risk and change is managed effectively</p>	

Management of Risk

The successful delivery of the 2014-18 Plan and our sustainability into the future are dependent on our ability to manage and respond to the risks we face. We have only one net 'red' risk which is "Safeguarding children and vulnerable adults in our community and our inability to take action to avoid abuse, injury or death". Due to its nature this risk will always remain and does not indicate that performance is poor in this area.

We have a number of other significant risks which are actively managed and will remain critical to our planning for the future. These risks are:

- Continuing pressure on adult social care and health services
- Coventry and Warwickshire LEP and regional partnership working failing to deliver optimum economic benefits
- The inability to sustain risk critical fire and rescue functions
- Ensuring sufficient provision of school places across the county
- The inability to manage or influence the impact of HS2 on Warwickshire
- Meeting statutory requirements to drive improvements across all schools in the county
- The pressure to manage increasing levels of household waste
- The availability of funding to meet expectations for transport infrastructure investment, and
- An inability to maintain critical services during disruptions

Medium Term Outlook

We put in place a budget and medium term financial plan within which the 2014-18 One Organisation Plan will be delivered. The 2015/16 outturn does not require any changes to this plan. The 2014-18 Plan constituted a robust financial position for the organisation, allowing a more focussed and planned approach to prioritisation with services' able to focus on delivery knowing the financial environment within which they were be required to operate.

We intend to continue with this approach even though we now face a fundamentally different financial landscape. Our 2016/17 budget is balanced but we are using reserves to achieve this and it is unlikely sufficient additional reserves can be identified that will enable the 2014-18 One Organisation Plan savings plan to continue largely unchanged until the end of 2017/18. We also know that the period of austerity for public services will continue until 2020. This means we have to start planning now for further savings in 2017/18 onwards and that we are looking at reductions of up to £60 million in what we would otherwise be looking to spend over the period.

We know this means significant challenges for the organisation, beyond those that we have already faced. Such a fundamental shift in our capacity and the capacity of public services more generally will take time to deliver. It will require investment and a broad engagement with all those affected. This means we will have to become a very different organisation post 2016.

We have begun work to see how we can balance the budget over the medium term and secure growth. Our key considerations are:

- The potential offered by the additional 2% council tax we are able to levy each year to fund adult social care levy and the effect of moves towards greater integration with health
- Working with other local and national bodies to deliver growth and economic prosperity for Warwickshire so we can maximise the benefit from the proposal that by 2021 local authorities will retain 100% of business rate revenues.
- Providing us with the resources needed to support the most vulnerable members of our community.
- Ensuring our services are responsive to the changing requirements and needs of our schools and children.
- Reviewing opportunities to both invest-to-save and invest-to-grow the local economy (where this results in an increased business rate take) linked to our ability to borrow.
- An acknowledgement that any proposed changes needed to be consistent with any changes to the delivery of services at a national level, (for example, in relation to any government proposals for blue light services).

We will be consulting on the priorities and possible savings plans for 2017-20 in the autumn, with a view to a revised plan through to 2020 being approved in February 2017 as part of setting the 2017/18 budget.

Content and Format of the Statement of Accounts

Core Financial Statements

These comprise the four key pieces of information in the Statement of Accounts

Comprehensive Income and Expenditure Statement	Balance Sheet
<p>An accounting deficit of £32.2 million for 2015/16 has been reported; the outturn position is an £5.2 million surplus.</p> <p><i>This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, impairment and pensions charges.</i></p>	<p>An increase of £142.2 million in County Council's net assets as at 31 March 2016.</p> <p><i>The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2016 the County Council's net worth was £442.8 million.</i></p>
Cash Flow Statement	Movement in Reserves Statement
<p>A net cash inflow of £21.3 million in 2015/16 in cash or cash equivalents.</p> <p><i>This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.</i></p>	<p>A decrease of £0.5 million in County Council usable reserves.</p> <p><i>This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.</i></p>

Statement of accounting policies

This summarises the accounting rules and conventions we have used in preparing these financial statements. It reflects a change of accounting policy in relation to the fair value of financial assets and liabilities under the IFRS 13 accounting standard.

Notes to the core financial statements

The notes include more detail to support the information contained in the core financial statements as well as information on critical judgements and assumptions applied in the production of the accounts.



John Betts
Head of Finance

Movement in Reserves Statement

Movement in Reserves Statement - 2015/16								
	General Fund	Earmarked Reserves	Capital Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Balance at 31 March 2015	18.8	109.6	1.0	0.0	6.9	136.3	164.3	300.6
Movement In Reserves During 2015/16								
Surplus or deficit (-) on provision of services (accounting basis)	-32.2	0.0	0.0	0.0	0.0	-32.2	0.0	-32.2
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	174.4	174.4
Total Comprehensive Income and Expenditure	-32.2	0.0	0.0	0.0	0.0	-32.2	174.4	142.2
Adjustments between accounting basis & funding basis under regulations (note 1)	37.4	0.0	0.0	0.0	-5.7	31.7	-31.7	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	5.2	0.0	0.0	0.0	-5.7	-0.5	142.7	142.2
Transfers to / from (-) Earmarked Reserves (note 2)	-2.6	2.8	-0.2	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	2.6	2.8	-0.2	0.0	-5.7	-0.5	142.7	142.2
Balance at 31 March 2016	21.4	112.4	0.8	0.0	1.2	135.8	307.0	442.8

Movement in Reserves Statement - 2014/15								
	General Fund	Earmarked Reserves	Capital Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Balance at 31 March 2014	18.4	98.5	0.9	0.0	7.3	125.1	302.8	427.9
Movement In Reserves During 2014/15								
Surplus or deficit (-) on provision of services (accounting basis)	16.8	0.0	0.0	0.0	0.0	16.8	0.0	16.8
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	-144.1	-144.1
Total Comprehensive Income and Expenditure	16.8	0.0	0.0	0.0	0.0	16.8	-144.1	-127.3
Adjustments between accounting basis and funding basis under regulations (note 1)	-5.2	0.0	0.0	0.0	-0.4	-5.6	5.6	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	11.6	0.0	0.0	0.0	-0.4	11.2	-138.5	-127.3
Transfers to / from (-) Earmarked Reserves (note 2)	-11.2	11.1	0.1	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	0.4	11.1	0.1	0.0	-0.4	11.2	-138.5	-127.3
Balance at 31 March 2015	18.8	109.6	1.0	0.0	6.9	136.3	164.3	300.6

None of the general fund balance held is for schools as they hold a separate earmarked reserve (see note 2).

Comprehensive Income and Expenditure Statement

This section summarises our spending on services and where we got the money from.						
2014/15			Summary of revenue spending	2015/16		
Gross expenditure £m	Gross income £m	Net expenditure £m		Gross expenditure £m	Gross income £m	Net expenditure £m
			Money spent on services			
9.6	-1.5	8.1	~ cultural and related services	10.1	-1.6	8.5
25.7	-4.6	21.1	~ environmental and regulatory services	27.5	-5.0	22.5
13.6	-9.0	4.6	~ planning services	13.1	-3.4	9.7
411.2	-293.8	117.4	~ children's and education services	418.5	-292.2	126.3
28.3	-0.4	27.9	~ fire and rescue services	26.7	-0.8	25.9
56.7	-11.8	44.9	~ highways and transport services	57.3	-13.7	43.6
166.0	-33.8	132.2	~ adult social care	176.9	-45.6	131.3
25.8	-22.6	3.2	~ public health	26.0	-22.2	3.8
9.7	-0.3	9.4	~ housing services	9.5	-0.3	9.2
5.3	-4.7	0.6	~ central services to the public	6.3	-5.4	0.9
7.4	-0.3	7.1	~ corporate and democratic core	6.6	-0.2	6.4
-10.9	0.0	-10.9	~ non distributed costs	-5.9	0.0	-5.9
748.4	-382.8	365.6	Net cost of services (total continuing services)	772.6	-390.4	382.2
16.8	0.0	16.8	~ Other operating expenditure (note 4)	19.2	0.0	19.2
59.2	-21.0	38.2	~ Financing and investment income and expenditure (note 5)	59.4	-28.6	30.8
0.0	-437.4	-437.4	~ Taxation and non-specific grant income and expenditure (note 6)	0.0	-400.0	-400.0
824.4	-841.2	-16.8	Surplus (-) or deficit on the provision of services	851.2	-819.0	32.2
			Items that will not be reclassified to the surplus(-)/deficit on the provision of services			
1.9		1.9	~ Surplus (-) or deficit on revaluation of property, plant and equipment	-0.4		-0.4
-2.6		-2.6	~ Surplus or deficit on revaluation of available for sale financial assets	0.5		0.5
144.8		144.8	~ Remeasurements of the net defined benefit liability/(asset)	-174.5		-174.5
144.1	0.0	144.1	Other comprehensive income and expenditure	-174.4	0.0	-174.4
968.5	-841.2	127.3	Total comprehensive income and expenditure (note 3)	676.8	-819.0	-142.2

Balance Sheet as at 31 March 2016

2015 £ m	Balance Sheet as at 31 March	2016 £ m	Notes
1,264.2	Property, plant and equipment	1,260.2	8
29.2	Investment property	40.4	11
4.0	Heritage assets	4.0	10
1.9	Intangible assets	1.4	12
0.3	Long-term investments	0.5	
1,299.6	Total long-term assets	1,306.5	
	Current assets		
118.5	Short-term investments	81.9	
0.6	Inventories	0.7	
49.4	Short-term debtors	49.2	14
147.9	Cash and cash equivalents	169.2	15
0.0	Assets held for sale	0.8	16
316.4	Total current assets	301.8	
	Current liabilities		
-4.7	Provisions (settlement within 12 months)	-6.2	18
-5.1	Short-term borrowing	-25.0	37
-84.2	Short-term creditors	-73.1	17
-0.4	Grants received in advance - revenue	-0.1	24
-94.4	Total current liabilities	-104.4	
222.0	Current assets less current liabilities	197.4	
-2.5	Provisions (settlement over 12 months)	-2.5	18
-378.4	Long-term borrowing	-353.4	37
-12.7	Capital grants received in advance	-23.8	24
	Other long-term liabilities		
-827.4	~ Liability related to defined benefit pension scheme	-681.4	20
-1,221.0	Long-term liabilities	-1,061.1	
300.6	Net assets	442.8	
136.3	Usable reserves	135.8	19
164.3	Unusable reserves	307.0	20
300.6	Total reserves	442.8	



John Betts
Head of Finance
30 June 2016

Cash Flow Statement

Year ended 31 March 2015 £ m	Cash Flow Statement	Year ended 31 March 2016 £ m
32.3	Operating activities (note 21)	20.2
-33.9	Investing activities (note 22)	6.2
-2.7	Financing activities (note 23)	-5.1
-4.3	Net increase or decrease in cash and cash equivalents	21.3

Year ended 31 March 2015 £ m	Reconciliation to movement in cash and cash equivalents	Year ended 31 March 2016 £ m
152.2	Cash and cash equivalents at the beginning of the reporting period	147.9
147.9	Cash and cash equivalents at the end of the reporting period	169.2
-4.3	Movement in cash and cash equivalents	21.3

Statement of accounting policies

This section summarises the accounting rules and conventions we have used in preparing these financial statements.

General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2015/16 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of income and expenditure

Activity is accounted for in the year that it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when we are owed it rather than when we receive it. Expenditure is recorded in our accounts when services are provided, rather than when we actually make a payment and supplies are recorded as expenditure when we use them. Where income and expenditure have been recognised but cash has not been received/paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de minimis level for non-system generated accruals of £50,000 that managers can use if they wish. We do not expect the effect to be material to the overall accounting position.

Assets held for sale

Where we have made a decision to sell an asset and the asset is being actively marketed it is categorised as held for sale. If a sale is expected within 12 months of making that decision the assets are shown separately in the financial statements (treated as current assets). We value these at the lower of current value, based on their existing use, or fair value, based on their highest and best use. Those assets that we do not expect to sell within 12 months are not classed as assets held for sale and instead are valued at their previous use.

Cash and cash equivalents

Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash.

Contingent assets

We have identified contingent assets where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 34 to the accounts on page 59. These are not included in our Balance Sheet.

Contingent liabilities

We have identified contingent liabilities where either:

- A possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control or,
- A present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Our contingent liabilities disclosure is shown in note 35 to the accounts on page 59. These are not included in our Balance Sheet.

Employee benefits

Benefits payable during employment

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them as at 31 March each year even if we would never normally pay them, such as annual leave and time-off in lieu not taken at the year end. These are accrued for and shown in the cost of services in the Comprehensive Income and Expenditure Statement.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the Comprehensive Income and Expenditure Statement as the earlier of when the authority can no longer withdraw the offer or when we recognise costs of a restructuring.

Post-employment benefits

As part of the terms and conditions of employment we offer retirement benefits. Although these benefits will not actually be payable until the employee retires we account for post-employment benefits in the Comprehensive Income and Expenditure Statement at the time that employees earn their future entitlement.

Our employees are members of four different pension schemes and we participate in one compensation scheme:

- The Local Government Pension Scheme
- The Teachers' Pension Scheme
- The Firefighters Pension Scheme and the Firefighters Injury Awards Scheme
- The National Health Service Pension Scheme

All four schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes, our accounting policies in relation to them and their impact on the financial statements are shown in note 39 on page 64.

Events after the Balance Sheet date

We consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Head of Finance.

Exceptional items, prior period adjustments and changes to accounting policies

Exceptional items are material items of income or expenditure that are disclosed separately in the Comprehensive Income and Expenditure Statement to aid understanding of our financial performance.

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

Fair value

We value our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2015/16 fair value affects only non-operational property, plant and equipment classified as surplus assets and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates and reducing subjective or uncertain valuations.

We assess the level of uncertainty in our valuations by assigning our assets into three categories:-

- ~ Level 1 – quoted prices of identical assets or liabilities;
- ~ Level 2 – inputs other than quoted prices that are observable, either directly or indirectly;
- ~ Level 3 – unobservable inputs.

These are shown in notes 8, 11, 13 and 16 on pages 41, 42, 43 and 47 respectively.

Financial assets

Financial assets are classified into loans and receivables and available-for-sale assets.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument in the year it was due or earned. For the loans we have made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are recorded in the accounts at the price we bought them. Interest we earned on our investments is shown in the accounts in the year it was due or earned. We hold a number of investments which are classed as loans and receivables.

We make available a car loan facility at below market rates as well as bicycle purchase and train season ticket loans interest free for employees. In addition we make a small number of business loans. Collectively these are known as soft loans. The amount of these loans represented on the Balance Sheet has not been written down to fair value as the effect of doing would not have a material effect on the financial statements.

Trade debtors are due within one year and carrying value is deemed to equate to fair value.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the assets are written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on de-recognition of an asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement (MIRS). Where impairments are recognised or assets derecognised charges are made to the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses in the reserve previously recognised in the MIRS.

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument in the year it was due. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus

accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Trade creditors are due within one year and carrying value is deemed to equate to fair value.

Government grants

Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. General grants we receive, such as Revenue Support Grant, are shown as taxation and non-specific grant income in the Comprehensive Income and Expenditure Statement. Government grants we receive to pay for spending on specific service activities are shown as income for the relevant service area. Where grants and contributions for revenue have conditions outstanding or remains unspent at the Balance Sheet date the grant is held either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve.

Capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement when any relevant conditions governing their use or repayment have been met. This income is then reversed out and charged to the Capital Adjustment Account so the level of council tax is not affected. Before the conditions are met, capital grants are held on the Balance Sheet as a Capital Grants Received in Advance liability. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve.

Heritage assets

Our heritage assets are held due to their cultural, environmental or historic associations making their preservation for future generations important. We value our museum collections, valuables at the Courts, Judges House and Shire Hall at their insurance valuations. The Golden Tower of Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records and are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any revaluations would not have a material impact on the accounts. Operational heritage assets, which are used in the provision of services or for other activities, are accounted for under other assets classes elsewhere in the Balance Sheet. Heritage assets classified as community or other assets are valued at insurance cost unless our valuers believe conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve. More detailed information on the heritage assets we hold is available on our web-site www.warwickshire.gov.uk.

Income from selling non-current assets

We use the income from selling non-current assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. Any of this money that we have not used by the end of the year is recorded in the Balance Sheet as the Capital Receipts Reserve. We show the gain or loss on the sale of assets in the Comprehensive Income and Expenditure Statement. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the Comprehensive Income and Expenditure Statement, regardless of whether all the proceeds of the related sale have been received. We use up to 4% of a capital receipt to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation transferred to the Capital Adjustment Account) and the sale proceeds (transferred from the Capital Receipts Reserve) are also shown as reversing entries in the Movement in Reserves Statement so the level of council tax is not affected.

Intangible assets

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other

non-current assets. We gradually reduce (amortise) the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the Comprehensive Income and Expenditure Statement. Intangible assets are initially valued at historic cost (the cost at which they were acquired).

Inventories

Inventories are materials or supplies that will be consumed in producing goods or providing services. The highways, roads and transport services stocks are valued at the cost of replacing them. Other stocks are valued at the cost we paid for them. These methods of valuing stocks are different from the methods set out by the CIPFA code. This does not have a major effect on the financial statements.

Investment property

Investment property assets are those held for rental purposes or capital value appreciation or both. They are not used for the delivery of services. It is initially measured at cost. Investment property is not depreciated but is revalued at fair value every year based on their highest and best use. For investment property, fair value is the price that would be received to sell the property in an orderly transaction between market participants at the measurement date. Gains and losses on revaluation are shown in the financing and investment income and expenditure line as disposal as well as any rental income in the Comprehensive Income and Expenditure Statement.

Leases

Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the Council. All other leases are operating leases.

Finance leases

We deal with finance leases in the same way as other capital spending. We have included these as assets in the balance sheet and charge depreciation on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the Comprehensive Income and Expenditure Statement.

Operating leases

The vast majority of our lease-rental payments are assessed to be operating leases and are charged evenly to the Comprehensive Income and Expenditure Statement over the life of the lease.

Where we grant an operating lease over a property or item of plant or equipment the asset is retained on the Balance Sheet and the rental income is credited to the Comprehensive Income and Expenditure Statement.

Minimum Revenue Provision

We are required to make an annual contribution from revenue for the repayment of our debt as approved in our Treasury Management Policy. This is known as the Minimum Revenue Provision (MRP). We calculate MRP on a straight line basis using the average remaining useful life of our asset portfolio over the two asset categories of:

- Land, buildings and infrastructure
- Vehicles, plant and equipment

Overheads and support service costs

In accordance with the CIPFA Service Reporting Code of Practice 2015/16 all support service costs are apportioned fully to services on a relevant basis. These include employee numbers, IT network access users and gross spend. The two

categories of cost that are not charged out to services are corporate and democratic core costs and non-distributed costs (see glossary).

Property, plant and equipment

Assets that have a physical substance and are held for use in the production or supply of services and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE).

Recognition

Our spending on buying, creating or improving PPE is classed as capital spending on an accruals basis provided that it is probable that the future economic benefits or service associated with the item will flow to us and the cost of the item can be measured reliably. Spending that does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our de-minimis level of £6,000 is charged to our revenue account in full in the year it occurs.

Measurement

Assets are initially measured at cost comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations alongside any external valuers appointed by the Council.

The closing balances on 31 March 2016 were valued in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use. However, where there is insufficient market valuation evidence some land and buildings, for example schools, are included in the Balance Sheet at a depreciated replacement cost.
- Surplus assets are not used by us in our day to day work and are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use.
- The valuation of assets held for sale is disclosed in the accounting policy on assets held for sale on page 24.
- The valuation of investment properties is disclosed in the accounting policy on investment properties on page 28.
- We have included infrastructure assets, such as roads and bridges and community assets, vehicles and equipment in the Balance Sheet at the amount they cost when brought into use less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value.
- The valuation of heritage assets is disclosed in the accounting policy on heritage assets on page 27.

We revalue all those PPE assets which are held at a value other than depreciated historic cost at least once every five years. In line with this policy our PPE assets were revalued at 31 March 2014. Based on the professional assessment by our valuer we also adjust for any changes to the value of assets in between these five-yearly revaluations as they happen, whether due to events affecting groups of assets or single assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them we add the difference to the Revaluation Reserve.

Impairments and revaluation losses

If the value goes down across a group of assets for the same reason, we regard this as a revaluation loss. If events occur which lead to the value of an individual asset reducing, we regard this as an impairment loss. Both types of loss are charged to any Revaluation Reserve balance held for that asset, up to the balance available, with the remainder being charged to the Comprehensive Income and Expenditure Statement. This charge is then reversed out in the Movement in Reserves Statement so that there is no impact on council tax.

Depreciation

Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation cost on buildings over our valuers estimate of their useful economic life (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment).

The cost of depreciation is calculated according to the following:

- Our new assets are depreciated from the start of the next financial year after they are ready to be used.
- Assets or projects that are incomplete are classified as assets under construction on the Balance Sheet and are recorded at historic cost and not depreciated.
- Depreciation is calculated on a straight-line basis meaning that an assets value falls equally each year throughout its life. If the gross value of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.
- We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investment properties or assets held for sale. Similarly, heritage assets are generally assessed to have infinite lives and so are not depreciated.

The estimated useful economic lives of our land and buildings, as at 31 March 2014, was assessed by our valuers as part of the revaluation of these assets. These estimates are reflected in the depreciation charges for 2015/16.

Provisions

We put amounts of money aside to meet specific service payments. For these to count as provisions, they need to pass three tests:

- They must be the result of a past event.
- A reliable estimate can be made.
- There must be a clear responsibility to make this future payment because of the past event.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement when we become aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made they are charged to the provision already set up in the Balance Sheet.

Reserves

We keep reserves to pay for spending on projects we will carry out in future years, to protect us against unexpected events and to manage the financial risk of the uncertainty we face. Reserves include 'earmarked reserves' which we set aside for certain policy purposes and other general reserves which represent resources set aside for purposes such as general events and managing our cash flow. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Reserves are created by appropriating amounts in the Movement in Reserves Statement (MIRS). When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the general fund via the MIRS so that there is no net charge against council tax.

Other reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources:

- The capital accounting system requires us to maintain a number of accounts/reserves in the Balance Sheet. Details of the purpose and movements in these reserves (the Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and the Available for Sale Financial Instruments Reserve) are shown in note 20 to the accounts on page 48.
- We keep a separate reserve to hold unused cash we receive from non-current assets. This is described in the Balance Sheet as the 'Capital Receipts Reserve'.
- We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a reserve called 'Capital Grants Unapplied' if there are no remaining conditions on their use.
- We maintain a 'Collection Fund Adjustment Account' which holds the difference between the amount required to be shown in the Comprehensive Income and Expenditure Statement for council tax and business rates and that required by legislation to be taken against the General Fund.
- We maintain a Compensated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax.

Revenue expenditure funded from capital under statute

We undertake capital spending during the year to support the provision of services that does not result in the creation of an asset we own. Any money we spend on these assets must be charged to the Comprehensive Income and Expenditure Statement but is funded from capital resources not council tax. To make sure that the council tax is not affected, we then make an adjustment equal to the total to reverse this and charge it to the Capital Adjustment Account.

Schools and schools assets

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the local authority. We therefore recognise schools assets, liabilities, reserves and cash flows in our financial statements as if there were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset. School assets are derecognised in full on the date that a school transfers to academy status.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. We are subject to Partial Exemption. This means that, as long as the VAT we claim on purchases used to generate exempt incomes is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

Notes to the Core Financial Statements

Note 1: Adjustments between accounting basis and funding basis under regulations

Adjustments between accounting basis and funding basis under regulations - 2015/16	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves net spending
	£ m	£ m	£ m	£ m
Adjustments primarily involving the Capital Adjustment Account				
<u>(CIES):</u>				
~ Charges for depreciation of non-current assets	47.5			-47.5
~ Revaluation losses on property, plant and equipment assets	5.9			-5.9
~ Movements in the market value of investment properties	-11.8			11.8
~ Amortisation of intangible assets	0.6			-0.6
~ Capital grants and contributions applied	-43.9			43.9
~ Revenue expenditure funded from capital under statute	15.1			-15.1
~ Amounts of non-current assets written off on disposal to the CIES	21.2			-21.2
<u>Insertion of items not debited or credited to the CIES</u>				
~ Statutory provision for the repayment of debt	-15.0			15.0
~ Capital expenditure charged to the General Fund Balance	-10.3			10.3
Adjustments primarily involving the Capital Grants Unapplied Account				
~ Capital Grants and contributions unapplied credited to the CIES	4.0		-4.0	0.0
~ Application of Grants to capital financing transferred to Capital Adjustment Account	1.1		-1.1	0.0
Adjustments primarily involving the Capital Receipts Reserve				
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-1.9	2.5	-0.6	0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure		-2.4		2.4
~ Contribution from Capital Receipts Reserve to administrative costs of non-current asset disposals	0.1	-0.1		0.0
Adjustments primarily involving the Financial Instruments Adjustment Account				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1			-0.1
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire-fighters pension liabilities	-5.1			5.1
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	72.5			-72.5
~ Employers pensions contributions and direct payments to pensioners payable in the year	-38.9			38.9
Adjustments primarily involving the Collection Fund Adjustment Account				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.1			-0.1
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	0.4			-0.4
Adjustment primarily involving the Accumulated Absences Account				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-4.3			4.3
Total adjustments	37.4	0.0	-5.7	-31.7

Adjustments between accounting basis and funding basis under regulations - 2014/15	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves net spending
	£ m	£ m	£ m	£ m
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
~ Charges for depreciation of non-current assets	38.0			-38.0
~ Revaluation losses on property, plant and equipment non-current assets	0.6			-0.6
~ Prior period adjustments revaluations through NCS	0.2			-0.2
~ Movements in the market value of investment properties	-5.8			5.8
~ Amortisation of intangible assets	0.5			-0.5
~ Capital grants and contributions applied	-60.8			60.8
~ Revenue expenditure funded from capital under statute	10.0			-10.0
~ Amounts of non-current assets written off on disposal to the CIES	25.6			-25.6
Insertion of items not debited or credited to the CIES				
~ Statutory provision for the repayment of debt	-15.9			15.9
~ Capital expenditure charged to the General Fund Balance	-7.2			7.2
Adjustments primarily involving the Capital Grants Unapplied Account				
~ Capital grants and contributions unapplied credited to the CIES	7.2		-7.2	0.0
~ Application of grants to capital financing transferred to Capital Adjustment Account	-6.8		6.8	0.0
Adjustments primarily involving the Capital Receipts Reserve				
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-9.2	9.2		0.0
~ Use of the Capital Receipts Reserve to finance new capital expenditure		-9.1		9.1
~ Contribution from the Capital Receipts Reserve/Capital Fund to administrative costs of non-current asset disposals	0.1	-0.1		0.0
Adjustments primarily involving the Financial Instruments Adjustment Account				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1			-0.1
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire-fighters pension liabilities	-4.7			4.7
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	60.1			-60.1
~ Employers pensions contributions and direct payments to pensioners payable in the year	-38.2			38.2
Adjustments primarily involving the Collection Fund Adjustment Account				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.4			-0.4
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	0.7			-0.7
Adjustment primarily involving the Accumulated Absences Account				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-0.1			0.1
Total adjustments	-5.2	0.0	-0.4	5.6

Note 2: Transfers to/from earmarked reserves

Movement in earmarked reserves (restated)	Balance at 1 April	Transfers		Balance at 31 March	Transfers		Balance at 31 March
	2014 £ m	Out £ m	In £ m	2015 £ m	Out £ m	In £ m	2016 £ m
Schools Balances (under a scheme of delegation)	17.5	-3.1	0.0	14.4	0.0	3.2	17.6
Insurance Fund	9.0	-0.7	0.2	8.5	0.0	0.0	8.5
DSG Reserve	1.2	-1.2	0.0	0.0	0.0	0.0	0.0
IT for Schools	0.0	-0.2	0.0	-0.2	0.0	0.1	-0.1
PFI Credits Reserve	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
NNDR Appeals Reserve	1.0	0.0	0.0	1.0	0.0	0.0	1.0
NNDR Pool Reserve	-0.5	0.0	0.4	-0.1	0.0	0.4	0.3
Service Realignment Fund	11.3	0.0	0.6	11.9	0.0	0.8	12.7
Capacity Building Fund	1.4	0.0	0.0	1.4	0.0	0.0	1.4
Elections Reserve	0.0	0.0	0.2	0.2	0.0	0.3	0.5
Medium Term Contingency	13.3	0.0	7.2	20.5	-3.2	0.0	17.3
Social Care Support Savings	7.8	0.0	3.5	11.3	-1.7	0.0	9.6
Strategic Commissioning Savings	8.0	-3.2	0.0	4.8	-0.2	1.2	5.8
Other Business Unit savings and earmarked reserves (net movement)	28.3	0.0	7.6	35.9	0.0	1.9	37.8
Total	98.5	-8.6	19.7	109.6	-5.1	7.9	112.4

The money that Business Units set aside is held to make sure that they can meet future known budget commitments, and that the services will have the resources to react to any unexpected events. Details of reserves held by Business Units are reported to Elected Members on a regular basis as part of our One Organisational Plan Progress Report. Reports and are available via www.warwickshire.gov.uk.

Note 3: Significant items of income and expenditure and restatements of prior year figures

The Comprehensive Income and Expenditure Statement in 2015/16 is showing a surplus of £142.2 million compared to a deficit of £127.3 million in 2014/15. The main reason for this is that we have a reduction in the pensions liability as at 31 March resulting from a gain in the remeasurements of the net defined benefit liability. This is largely as a result of the rise in the net interest rate used in the pension costs disclosures by our Actuary. This gain is partly offset by a reduction in the capital grants and contributions and revenue support grant shown in the taxation and non-specific grant income line in the Comprehensive Income and Expenditure Statement (see note 6 on page 35).

There has been no significant restatement of prior year figures.

Note 4: Other operating expenditure

2014/15 £ m	Other operating expenditure	2015/16 £ m
0.2	Levies - Environment Agency Levy	0.2
16.6	Losses on disposal/transfer of non-current assets	19.0
16.8		19.2

Note 5: Financing and investment income and expenditure

2014/15 £ m	Financing and investment income and expenditure	2015/16 £ m
18.9	Interest payable and similar charges	18.6
28.1	Net interest on the net defined benefit liability (asset)	26.4
-2.7	Interest receivable and similar income	-3.2
-12.3	Trading account income	-13.4
12.0	Trading account expenditure	14.0
-5.8	Income and expenditure on investment properties and changes in their fair value	-11.8
0.2	Other investment expenditure	0.4
-0.2	Other investment income	-0.2
38.2		30.8

Note 6: Taxation and non-specific grant income and expenditure

2014/15 £ m	Taxation and Non Specific Grant Incomes	2015/16 £ m
221.4	Council tax income	229.3
	Non domestic rates income and expenditure	
34.5	~ Retained business rates	35.1
22.8	~ Business rates top up	23.6
0.1	Business rates pool growth (WCC share)	0.3
0.0	Business rates pool surplus	0.3
73.4	Revenue Support Grant	56.1
	Other non-ringfenced Government grants	
4.7	~ Fire Pensions Fund Grant (gain)	5.1
25.5	~ Revenue grants	15.8
55.0	~ Capital grants and contributions	34.4
437.4		400.0

Note 7: Segmental reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by our Cabinet and full Council on the basis of budget reports analysed across groups.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairments losses in excess of the balance in the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- Expenditure on some support services is budgeted for centrally and not charged to groups.

The income and expenditure of our services recorded in the end-of-year One Organisation Plan Year End Report is shown in the tables below. The report can be accessed via our committee administration system at www.warwickshire.gov.uk.

Segmental reporting analysis 2015/16	People Group	Communities Group	Fire and Rescue Service	Resources Group	Other Services	Schools	Total
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Fees, charges and other service income	-36.6	-29.6	-0.4	-15.1	0.2	-15.1	-96.6
Government grants	-3.4	-4.5	-0.4	-0.2	-163.3	-262.8	-434.6
Interest and investment income	0.0	0.0	0.0	0.0	-3.2	0.0	-3.2
Total income	-40.0	-34.1	-0.8	-15.3	-166.3	-277.9	-534.4
Employee expenses	50.1	46.3	16.3	47.7	2.1	171.5	334.0
Other service expenses	184.3	173.3	5.4	13.6	38.6	58.0	473.2
Support service recharges	15.9	12.4	2.6	-34.6	3.8	0.0	0.1
Total operating expenses	250.3	232.0	24.3	26.7	44.5	229.5	807.3
Cost of services	210.3	197.9	23.5	11.4	-121.8	-48.4	272.9

Segmental reporting analysis 2014/15	People Group	Communities Group	Fire and Rescue Service	Resources Group	Other Services	Schools	Total
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Fees, charges and other service income	-36.2	-26.8	-0.4	-13.9	0.2	-16.5	-93.6
Government grants	-2.3	-5.8	0.0	-0.2	-177.1	-267.7	-453.1
Interest and investment income	0.0	0.0	0.0	0.0	-2.7	0.0	-2.7
Total income	-38.5	-32.6	-0.4	-14.1	-179.6	-284.2	-549.4
Employee expenses	50.0	44.0	16.1	48.6	3.6	184.8	347.1
Other service expenses	172.6	168.8	4.8	14.5	36.7	53.9	451.3
Support service recharges	15.8	13.1	2.8	-34.9	3.4	0.0	0.2
Total operating expenses	238.4	225.9	23.7	28.2	43.7	238.7	798.6
Cost of services	199.9	193.3	23.3	14.1	-135.9	-45.5	249.2

Reconciliation of Group income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of group income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15 £ m	Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2015/16 £ m
249.2	Cost of services in service analysis	272.9
-1.1	Add amounts not reported to management	19.5
117.5	Remove amounts reported to management not included in CIES	89.8
365.6	Net cost of services in CIES	382.2

Reconciliation to subjective analysis - 2015/16	Service analysis	Not reported to management	Not included in CIES	Net cost of services	Corporate amounts	Total
	£ m	£ m	£ m	£ m	£ m	£ m
Fees, charges and other service income	-96.6	0.0	13.6	-83.0	-13.6	-96.6
Government grants and contributions	-434.6	-4.5	131.7	-307.4	-170.7	-478.1
Interest and investment income	-3.2	0.0	3.2	0.0	-15.0	-15.0
Income from council tax	0.0	0.0	0.0	0.0	-229.3	-229.3
Total income	-534.4	-4.5	148.5	-390.4	-428.6	-819.0
Employee expenses	334.0	2.9	0.0	336.9	0.0	336.9
Other service expenses	473.2	15.1	-58.7	429.6	40.8	470.4
Support service recharges	0.1	0.0	0.0	0.1	0.0	0.1
Impairment and revaluation losses	0.0	6.0	0.0	6.0	0.0	6.0
Interest payments	0.0	0.0	0.0	0.0	18.6	18.6
Precepts and levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	19.0	19.0
Total operating expenses	807.3	24.0	-58.7	772.6	78.6	851.2
Surplus (-)/deficit on the provision of services	272.9	19.5	89.8	382.2	-350.0	32.2

Reconciliation to subjective analysis - 2014/15	Service analysis £ m	Not reported to management £ m	Not included in CIES £ m	Net cost of services £ m	Corporate amounts £ m	Total £ m
Fees, charges and other service income	-93.6	0.0	12.5	-81.1	-12.5	-93.6
Government grants and contributions	-453.1	-5.5	156.9	-301.7	-216.0	-517.7
Interest and investment income	-2.7	0.0	2.7	0.0	-8.5	-8.5
Income from council tax	0.0	0.0	0.0	0.0	-221.4	-221.4
Total income	-549.4	-5.5	172.1	-382.8	-458.4	-841.2
Employee expenses	347.1	-6.3	0.0	340.8	0.0	340.8
Other service expenses	451.3	10.1	-54.6	406.8	40.3	447.1
Support service recharges	0.2	0.0	0.0	0.2	0.0	0.2
Impairment and revaluation losses	0.0	0.6	0.0	0.6	0.0	0.6
Interest payments	0.0	0.0	0.0	0.0	18.9	18.9
Precepts and levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	16.6	16.6
Total operating expenses	798.6	4.4	-54.6	748.4	76.0	824.4
Surplus (-)/deficit on the provision of services	249.2	-1.1	117.5	365.6	-382.4	-16.8

Note 8: Property, plant and equipment

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2015	862.2	2.5	58.3	497.4	3.4	25.8	1,449.6
Depreciation balance at 1 April 2015	-13.9	-0.1	-39.9	-131.4	-0.1	0.0	-185.4
Net book value at 1 April 2015	848.3	2.4	18.4	366.0	3.3	25.8	1,264.2
Changes in the year							
~ opening balance adjustment	-1.2	0.0	-5.2	-0.7	0.0	-3.5	-10.6
~ reclassifications	3.4	-0.6	0.0	0.0	0.0	1.8	4.6
~ spending on assets	16.2	0.0	3.2	12.5	0.0	37.0	68.9
~ transfer of assets under construction to operational assets on project completion	6.6	0.0	0.3	1.6	0.0	-8.4	0.1
~ value of assets we have sold/transferred	-20.4	0.0	-0.9	0.0	0.0	-0.3	-21.6
~ changes in the value of assets: revaluation	-10.2	0.9	0.0	0.0	0.0	0.0	-9.3
~ reversal of prior year impairments and revaluation losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation							
~ opening balance adjustment	0.0	0.0	5.5	0.0	0.0	0.0	5.5
~ reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	4.2	0.1	0.0	0.0	0.0	0.0	4.3
~ depreciation written off on disposal	0.8	0.0	0.8	0.0	0.0	0.0	1.6
~ depreciation	-23.8	0.0	-7.0	-16.6	-0.1	0.0	-47.5
Net book value at 31 March 2016	823.9	2.8	15.1	362.8	3.2	52.4	1,260.2
Gross book value at 31 March 2016	856.6	2.8	55.7	510.8	3.4	52.4	1,481.7
Depreciation balance at 31 March 2016	-32.7	0.0	-40.6	-148.0	-0.2	0.0	-221.5
Net book value at 31 March 2016	823.9	2.8	15.1	362.8	3.2	52.4	1,260.2

Assets we have sold or transferred mainly relate to schools that have transferred to Academy status during the year.

Property, plant and equipment	Land and buildings	Surplus assets	Vehicles, machinery, furniture and equipment	Roads and bridges	Country parks & open spaces	Assets under construction	Total
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Gross book value at 1 April 2014	860.5	3.8	56.6	468.4	3.3	21.2	1,413.8
Depreciation balance at 1 April 2014	-1.1	-0.1	-35.5	-115.8	0.0	0.0	-152.5
Net book value at 1 April 2014	859.4	3.7	21.1	352.6	3.3	21.2	1,261.3
Changes in the year							
~ opening balance adjustment	0.3	0.0	0.0	0.0	0.0	0.0	0.3
~ reclassifications	1.1	-0.1	0.0	0.0	0.0	2.8	3.8
~ spending on assets	19.7	0.0	3.4	25.6	0.1	15.9	64.7
~ land swap gain	1.0	0.0	0.0	0.0	0.0	0.0	1.0
~ transfer of assets under construction to operational assets on project completion	6.7	0.0	0.6	3.4	0.0	-11.2	-0.5
~ value of assets we have sold/transferred	-20.8	-1.2	-2.3	0.0	0.0	-2.9	-27.2
~ changes in the value of assets: revaluation	-6.3	0.0	0.0	0.0	0.0	0.0	-6.3
Depreciation							
~ opening balance adjustment on depreciation	1.0	0.1	-1.1	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	2.5	0.0	0.0	0.0	0.0	0.0	2.5
~ depreciation written off on disposal	0.4	0.0	2.2	0.0	0.0	0.0	2.6
~ depreciation	-16.7	-0.1	-5.5	-15.6	-0.1	0.0	-38.0
Net book value at 31 March 2015	848.3	2.4	18.4	366.0	3.3	25.8	1,264.2
Gross book value at 31 March 2015	862.2	2.5	58.3	497.4	3.4	25.8	1,449.6
Depreciation balance at 31 March 2015	-13.9	-0.1	-39.9	-131.4	-0.1	0.0	-185.4
Net book value at 31 March 2015	848.3	2.4	18.4	366.0	3.3	25.8	1,264.2

Our land and building assets includes schools, fire stations, libraries, waste disposal sites and other buildings. Our expenses on sale of assets are funded through the Capital Fund.

Depreciation – see accounting policies on page 30.

Capital commitments

At 31 March 2016, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2016/17 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for totals £7.9 million. Similar commitments at 31 March 2015 were £26.7 million.

The three largest outstanding commitments are as follows:

- 1 Kenilworth Station - £7.0 million
- 2 St Michael's CE Primary School, Bedworth – £0.7 million
- 3 Client Information System for Social Care - £0.2 million

Effects of changes in estimates

There have been no material changes to our accounting estimates for property, plant and equipment in 2015/16.

Fair Value Measurement

Under IFRS 13 the valuation techniques and assumptions for all assets classifications except investment property, surplus assets and assets held for sale remain unchanged. The table below shows the fair value of these classes of assets. IFRS 13 applies from 1 April 2015 and has been applied prospectively in accordance with the Code so there are no comparatives this year.

Fixed Assets - Fair value 31 March 2016	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Investment Properties	5.5	34.8	0.1	40.4
Surplus Assets	0.0	2.8	0.0	2.8
Other - Assets Held for Sale	0.8	0.0	0.0	0.8
Total	6.3	37.6	0.1	44.0

Revaluations

We carry out a programme of revaluations that ensures all property, plant and equipment required to be measured at fair value for the asset type is revalued at least every five years. This is in line with our revaluation policies on page 29. The table below shows the date at which our property, plant and equipment assets were last valued.

Revaluations	Land and buildings £ m	Surplus Assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks and open spaces £ m	Assets under construction £ m	Total £ m
Carried at historical cost			15.1	362.8	3.2	52.4	433.5
Valued at current value as at:							
31st March 2016	90.7	2.8					93.5
31st March 2015	391.7						391.7
31st March 2014	345.5						345.4
Total cost or valuation	827.9	2.8	15.1	362.8	3.2	52.4	1,264.2

Our internal RICS qualified valuers have determined that these demonstrate fair value for the asset class. In reaching this judgement a combination of indexation techniques, beacon valuations and discounted cash flow models have been used. For those assets that have not been revalued in the current year there have been minimal changes in land values and the majority of the assets in this category are schools as demonstrated in note 9.

Note 9: School property, plant and equipment

The value of our school property, plant and equipment is £692.6 million (2014/15 - £715.3 million). The table below shows a breakdown across the various types of school.

School Property, plant and equipment At 31 March 2016	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	186.6	181.1	4.5	372.2	92
Voluntary Aided Schools	75.3	69.2	0.0	144.5	36
Voluntary Controlled Schools	69.1	64.1	0.0	133.2	43
Foundation Schools	24.6	18.1	0.0	42.7	8
Net book value at 31 March 2016	355.6	332.5	4.5	692.6	179

School Property, plant and equipment At 31 March 2015	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	193.7	185.8	4.4	383.9	95
Voluntary Aided Schools	73.1	75.3	0.0	148.4	38
Voluntary Controlled Schools	71.8	68.3	0.0	140.1	44
Foundation Schools	24.7	18.3	0.0	43.0	8
Net book value at 31 March 2015	363.3	347.7	4.4	715.3	185

Whilst we recognise the assets of voluntary aided, voluntary controlled and foundation schools in our accounts we do not have the right to access or dispose of these assets to settle any liabilities. We have no donated school assets.

Note 10: Heritage assets

The net book value of the heritage assets we hold is £4.0 million (£4.0m in 2014/15). There have been no significant acquisitions during 2015/16 and there have not been any significant disposals of heritage assets.

Details of our recognition and valuation policy in relation to heritage assets is shown in our accounting policies on page 27. More detailed information about the specific heritage assets we hold is on our web-site www.warwickshire.gov.uk

Note 11: Investment properties

We have classified a number of properties as investment properties most of which are leased out to third parties under operating leases i.e. they are held with the specific purpose of generating income.

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

31 March 2015 £ m	Investment properties	31 March 2016 £ m
0.0	Direct net operating expense arising from investment property	0.4
0.0	Net gain/loss (-)	0.4

There are no restrictions on our ability to realise the value inherent in our investment property or on our right to the remittance of income and the proceeds of disposal. We have no contractual obligations to purchase, construct or develop investment property or for its repair, maintenance. The table below summarises the movement in the fair value of investment properties over the year.

31 March 2015 £ m	Investment properties	31 March 2016 £ m
25.5	Balance at the start of the year	29.2
0.7	Opening balance adjustment	4.5
-3.9	Reclassifications	-5.4
1.2	Additions	1.7
-0.1	Disposals	-1.4
5.8	Net gains/losses (-) from fair value adjustments	11.8
29.2	Balance at the end of the year	40.4

Note 12: Intangible Assets

We account for our software as intangible assets, to the extent that the software is not an integral part of a particular IT system and is accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suite for HR and the financial suite is 10 years. They are valued at historic cost.

We do not hold any patents. We have not incurred any spending on software licences and development in 2015/16 (£nil in 2014/15). We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years). The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.6 million charged to revenue in 2015/16 was charged to a number of services, some of which was absorbed as an overhead and charged across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on intangible asset balances during the year is as follows:

Software licences we have bought 2014/15 £ m	Intangible assets	Software licences we have bought 2015/16 £ m
3.7	Gross book Value at 1 April	4.3
-2.0	Amortisation balance at 1 April	-2.4
1.7	Net book value at 1 April	1.9
	Changes in the year	
0.1	~ Opening Balance Adjustment	-0.5
0.0	~ Spending on assets	0.1
0.5	~ Transfer from work in progress to complete	0.0
0.0	~ Value of assets we have sold	0.0
	Amortisation	
0.1	~ Opening balance adjustment	0.5
0.0	~ Amortisation written off on disposal	0.0
-0.5	~ Amortisation	-0.6
1.9	Net book value at 31 March	1.4
4.3	Gross book Value at 31 March	3.9
-2.4	Amortisation balance at 31 March	-2.5
1.9	Net book value at 31 March	1.4

Note 13: Financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Assets and liabilities	31 March 2015			31 March 2016		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Financial Assets						
Investments:						
~ Loans and receivables	71.0	0.0	71.0	30.1	0.0	30.1
~ Available-for-sale financial assets	0.0	0.3	0.3	0.0	0.5	0.5
~ Financial assets at fair value through profit and loss	47.5	0.0	47.5	51.8	0.0	51.8
Total investments	118.5	0.3	118.8	81.9	0.5	82.4
Debtors:						
~ Financial assets carried at contract amounts	30.1	0.0	30.1	32.6	0.0	32.6
Total Debtors	30.1	0.0	30.1	32.6	0.0	32.6
Cash:						
~ Loans and receivables (cash and cash equivalents)	147.9	0.0	147.9	169.2	0.0	169.2
Total Cash	147.9	0.0	147.9	169.2	0.0	169.2
Total Financial assets	296.5	0.3	296.8	283.7	0.5	284.2

Financial Assets and liabilities	31 March 2015			31 March 2016		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Financial Liabilities						
Borrowings:						
~ Financial liabilities at amortised cost	5.1	378.4	383.5	25.0	353.4	378.4
Total Borrowings	5.1	378.4	383.5	25.0	353.4	378.4
Creditors:						
~ Financial liabilities at contractual amounts	65.4	0.0	65.4	53.0	0.0	53.0
Total	65.4	0.0	65.4	53.0	0.0	53.0
Total Financial Liabilities	70.5	378.4	448.9	78.0	353.4	431.4

Reconciliation to Balance Sheet carrying amounts	2014/15 £m	2015/16 £m
Debtors that are financial instruments	30.1	32.6
Debtors that are not financial instruments	19.3	16.6
Total Debtors	49.4	49.2
Creditors that are financial instruments	65.4	53.0
Creditors that are not financial instruments	18.8	20.1
Total Creditors	84.2	73.1

Comparison with Fair Values	2014/15 £m	2015/16 £m
Financial Assets at carrying amount	296.8	284.2
Financial Assets at fair value	296.8	284.2
Effects of fair value	0.0	0.0
Financial Liabilities at carrying amount	448.9	431.4
Financial Liabilities at fair value	582.7	571.9
Effects of fair value	133.8	140.5

The valuation of financial instruments has been classified into the three levels required under IFRS13 according to the quality and reliability of the information and techniques used to value them at fair value.

Financial Instruments - Fair value 31 March 2016	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Financial Assets:-				
~ Investments - Loans and receivables (carried at cost plus accrued interest)	0.0	30.1	0.0	30.1
~ Available for sale financial assets	0.0	0.0	0.5	0.5
~ Financial assets at fair value through profit and loss	0.0	51.8	0.0	51.8
Debtors				
- Financial assets carried at contractual amounts (deemed to be fair value)	32.6	0.0	0.0	32.6
Cash:-				
- Loans and receivables (cash and cash equivalents) - deemed to be fair value	127.5	0.0	0.0	127.5
- Loans and receivables (cash and cash equivalents) - carried at cost plus accrued interest	0.0	41.7	0.0	41.7
Total Financial Assets	160.1	123.6	0.5	284.2
Financial Liabilities:-				
Borrowings:-				
- Financial liabilities carried at amortised cost	0.0	518.9	0.0	518.9
Creditors:-				
- Financial liabilities carried at contractual amounts (deemed to be fair value)	53.0	0.0	0.0	53.0
Total Financial Liabilities	53.0	518.9	0.0	571.9

	Interest expense in (Surplus)/Deficit on the Provision of Services		Investment income in (Surplus)/Deficit on the Provision of Services		Gain or (loss) on revaluation of financial assets in Other Comprehensive Income and Expenditure	
	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m
Interest paid and investment income received						
~ Financial liabilities at amortised cost	-18.9	-18.6	0.0	0.0	0.0	0.0
~ Financial assets (loans and receivables)	0.0	0.0	2.7	3.2	0.0	0.0
~ Financial assets (at fair value through profit and loss)	0.0	0.0	0.0	0.0	2.5	-0.7
~ Financial assets (available for sale)	0.0	0.0	0.0	0.0	0.1	0.2

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

The difference between the long term borrowing nominal amounts carried in the Balance Sheet and their fair value is based on a calculation that uses new loan rates to estimate what it would cost to borrow a similar portfolio of loans at the Balance Sheet date.

We use an external expert to provide the fair values for our borrowings and any financial assets and liabilities that are not deemed to be held at fair value.

Available for sale financial assets are valued internally using the earnings multiple valuation method based on the latest available accounts for the companies in which we hold shares. Where that data is not available they are valued at cost. The total value of these holdings is £0.49 million at 31 March 2016.

In assessing fair value we have made the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

There have been no transfers between input levels in 2015/16 and no changes in the valuation techniques for financial instruments during the year.

Note 14: Debtors

31 March 2015 £ m	Short-term debtors	31 March 2016 £ m
5.9	Central Government bodies	1.5
-0.2	~ less bad debts	0.0
4.7	VAT (due to us)	3.8
4.4	Other local authorities	3.3
2.2	Health Service bodies	2.2
0.7	Collection Fund debtors (billing authorities)	0.7
8.4	Council tax debtors	8.5
-2.1	~ less bad debts	-2.2
0.5	Business Rates debtors	0.5
-0.2	~ less bad debts	-0.1
26.0	Other entities and individuals	32.0
-0.9	- less bad debts	-1.0
49.4	Balance at the end of the year	49.2

Note 15: Cash and cash equivalents

31 March 2015 £ m	Cash and cash equivalents	31 March 2016 £ m
20.9	Cash held by the authority (including schools and imprest accounts)	15.4
105.2	Bank current accounts (call accounts and instant access deposit accounts)	117.2
21.8	Short-term deposits with building societies and other institutions less than 3 months maturity	36.6
147.9	Total cash and cash equivalents	169.2

Note 16: Assets held for sale

31 March 2015 £ m	Current assets held for sale	31 March 2016 £ m
0.9	Balance outstanding at start of year	0.0
0.0	Assets newly classified as held for sale	0.8
-0.9	Assets sold	0.0
0.0	Balance outstanding at year end	0.8

The IFRS13 valuations and disclosures of assets held for sale are shown in note 8 on page 39

Note 17: Creditors

31 March 2015 £ m	Creditors	31 March 2016 £ m
9.3	Central Government bodies	8.5
3.8	Other local authorities	3.8
2.5	Health Service bodies	1.9
2.6	Council tax overpayments and prepayments	2.5
0.3	Business rates overpayments and prepayments	0.1
6.5	Accumulated absences accruals (IFRS)	2.1
1.0	Collection Fund amounts owed to billing authorities - council tax	1.1
0.0	Collection Fund amounts owed to billing authorities - business rates	0.1
58.2	Other entities and individuals	53.0
84.2	Balance at the end of the year	73.1

Note 18: Provisions

Our provisions total £8.7 million (£7.2 million 2014/15).

We have had to plan to reduce our staff numbers to deliver our savings programme over the next four years. We have accounted for these employment costs but only where the decisions taken are irreversible.

Our former liability insurers, Municipal Mutual Insurance (MMI) went into run-off (ceased to write new business) on 30 September 1992, following which a contingent Scheme of Arrangement became effective on January 1994 to ensure a smooth run-off should MMI subsequently be declared insolvent. In the event of the Scheme being triggered, claims paid by MMI after 30 September 1992 will be liable to claw back, at a percentage to be determined by the administrators, with subsequent claims to be paid in part at the same percentage. A recent Supreme Court judgement relating to establishment of liability arising from mesothelioma claims under employers' liability policies has resulted in the increased possibility of the Scheme being triggered. We have set aside £2.4 million to cover the claw back and the outstanding claims.

We have to account for our share of non domestic rating appeals that are still to be resolved by the Valuation Office Agency (VOA) for the District and Borough Councils in Warwickshire. A new valuation list is due to be in place by April 2017, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £2.7 million.

We have reassessed the balance of liabilities between the county council and the Firefighters Pension Fund. The details are shown in pages 79 and 80. Some of the final costs are still uncertain and so a provision of £1.6 million has been included.

All other provisions, totalling £2.0 million, are individually insignificant.

Note 19: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement on page 20 and in notes 1 and 2 on pages 32 to 34. A summary of revenue and capital usable reserves is shown below:

31 March 2015 £ m	Usable reserves	31 March 2016 £ m
18.8	General Fund	21.4
109.6	Earmarked Reserves	112.4
1.0	Capital Fund	0.8
0.0	Capital Receipts Reserve	0.0
6.9	Capital Grants Unapplied	1.2
136.3	Total usable reserves	135.8

Note 20: Unusable Reserves

31 March 2015 £ m	Unusable reserves	31 March 2016 £ m
154.0	Revaluation Reserve	152.9
840.0	Capital Adjustment Account	834.5
0.2	Financial Instruments Adjustment Account	0.1
2.6	Available for Sale Financial Instruments Reserve	2.1
-6.5	Accumulated Absences Reserve	-2.1
1.4	Collection Fund Adjustment Account	0.9
-827.4	Pensions Reserve	-681.4
164.3	Total unusable reserves	307.0

Revaluation Reserve

The Revaluation Reserve contains the gains we have made arising from increases in the value of our property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2014/15 £ m	Movement in the capital reserves and accounts - Revaluation Reserve	2015/16 £ m
173.0	Balance on 1 April	154.0
-0.3	Opening balance adjustments	-2.2
0.0	Revaluation increases	2.6
-1.6	Impairment offsets against Revaluation Reserve	0.0
-6.5	Depreciation adjustment to Revaluation reserve	0.0
-10.6	Value of asset disposals	-1.5
154.0	Balance on 31 March	152.9

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment and revaluation losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts we set aside as finance for the costs of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on investment properties and gains recognised on donated assets that we have yet to consume.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £ m	Movement in the capital reserves and accounts - Capital Adjustment Account	2015/16 £ m
799.0	Balance on 1 April	840.0
1.4	Opening balance adjustments	1.5
3.7	Revaluation decrease	4.3
6.5	Depreciation adjustment to Revaluation Reserve	0.0
-5.9	Value of asset disposals	-17.3
-10.0	Transfer of spending on assets we do not own	-15.1
-15.5	Transfers to and from the revenue account	-22.8
60.8	Money used to buy assets	43.9
840.0	Balance on 31 March	834.5

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. We use the Account to manage the discounts received on the early redemption of debt.

We have not received any discounts or paid any premiums in 2015/16.

31 March 2015 £ m	Financial Instruments Adjustment Account	31 March 2016 £ m
0.3	Balance on 1 April	0.2
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	-0.1
0.2	Balance on 31 March	0.1

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains we have made arising from increases in the value of our investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

31 March 2015 £ m	Available for Sale Financial Instruments Reserve	31 March 2016 £ m
0.0	Balance on 1 April	2.6
2.5	Unrealised gains/losses on financial assets not charged to the surplus/deficit on the provision of services	-0.7
0.1	Movement in valuation of investments not charged to Surplus/Deficit on the provision of services	0.2
2.6	Balance on 31 March	2.1

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2015 £ m	Movement in Accumulated Absences Account	31 March 2016 £ m
-6.6	Balance at 1 April	-6.5
6.6	Settlement or cancellation of accrual made at the end of the preceding year	6.5
-6.5	Amounts accrued at the end of the current year	-2.1
0.1	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4.4
-6.5	Balance at 31 March	-2.1

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts due to the General Fund.

31 March 2015 £ m	Movement in Collection Fund Adjustment Account	31 March 2016 £ m
2.5	Balance at start of year	1.4
-0.4	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-0.1
-0.7	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements	-0.4
1.4	Balance at end of year	0.9

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. We account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed, as we make

employer's contributions to pension funds or eventually pay any pensions for which we are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources we have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

On 31 March 2015 £ m	Pensions Reserve - All Schemes	On 31 March 2016 £ m
-665.4	Balance as 1 April	-827.4
-144.8	Remeasurements of net defined (liability)/asset	174.5
-60.1	Reversal of net charges made for retirement benefits in accordance with IAS 19	-72.5
38.2	Employer's pension contributions and direct payments to pensioners payable in the year	38.9
4.7	Grant funding of fire-fighters pensions liabilities	5.1
-827.4	Balance at 31 March	-681.4

Note 21: Cash Flow Statement – operating activities

31 March 2015 £ m	Cash flows from operating activities	31 March 2016 £ m
	Cash Inflows from operating activities:-	
221.8	~ Council tax receipts	229.4
58.1	~ Business rates receipts	59.2
73.4	~ Revenue Support Grant	56.1
328.0	~ other Government grants (Note 24)	323.1
88.3	~ cash received for goods and services	90.5
2.7	~ interest received	3.2
	Cash Outflows from operating activities:-	
-347.1	~ cash paid to and on behalf of employees	-334.0
-374.0	~ other operating cash payments	-388.7
-18.9	~ interest paid	-18.6
32.3	Total net cash flows from operating activities	20.2

Note 22: Cash Flow Statement – investing activities

31 March 2015 £ m	Cash flows from investing activities	31 March 2016 £ m
-61.3	Purchase of property, plant and equipment, investment property and intangible assets	-75.6
-34.5	Proceeds or purchase (-) of short-term and long-term investments	35.9
0.2	Other receipts or payments (-) for investing activities	0.2
9.2	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1.9
52.5	Other receipts from investing activities - capital grants	43.8
-33.9	Net cash flows from investing activities	6.2

Note 23: Cash Flow Statement – financing activities

31 March 2015 £ m	Cash flows from financing activities	31 March 2016 £ m
-2.6	Repayments of short and long term borrowing	-5.1
-0.1	Cash payments for the reduction of outstanding liabilities in relation to finance leases	0.0
-2.7	Net cash flows from financing activities	-5.1

Note 24: Grant Income

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Actual income 2014/15 £ m	Grant income	Awarding department	Actual income 2015/16 £ m
	Revenue grants credited to Services (cash received in the year):		
243.2	Dedicated Schools Grant	DfE	239.0
12.5	Pupil Premium Grant	DfE	11.1
0.6	Music Grant/Music Education Hub	DfE	0.7
0.0	Fire Transformation Fund	CLG	0.4
7.8	Sixth Form Funding	EFA	6.7
2.1	Other Schools Grants	Various	2.0
1.2	Asylum seekers	HO	1.6
21.8	Public Health Grant	DH	21.4
0.5	Delayed Transfer of Care	DH	0.2
0.1	Central Warwickshire Leader	CLG	0.0
3.5	Universal Infant Free School Meals	EFA	5.1
1.7	Adult & Community Learning	BIS	1.6
0.5	Stratford Parkway Grant	DfT	0.1
0.7	Bus Service Operators Grant	DfT	0.7
0.0	Better Care Fund	CCGs	12.0
0.7	Other revenue grants	Various	0.9
296.9	Total revenue grants		303.5
	Capital grants and contributions credited to services:		
0.0	Disability Grant	DoH	1.9
0.0	Environment Agency	ENV	0.1
4.5	Broadband Delivery UK (BDUK)	DCMS	0.0
0.6	Contribution from other local authorities	Various	0.9
0.1	Private developer funding	Various	0.7
0.1	Other grants/contributions	Various	0.2
5.3	Total capital grants and contributions		3.8
302.2	Total		307.3

We have received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

Actual income 2014/15 £ m	Grant income	Awarding department	Actual income 2015/16 £ m
	Credited to Taxation and Non Specific Grant Income- cash received in the year:		
1.4	Business Rates Retention/Compensation Scheme	CLG	1.7
0.4	Adoption Reform Grant	DfE	0.0
7.1	Education Services Grant	EFA	5.2
10.4	NHS Section 256 Grant (now Better Care Fund)	DH	0.0
1.1	Special Educational Needs and Disability Grant	DfE	0.3
0.4	Local Services Support Grant	CLG	0.3
0.0	Care Act Implementation Grant	CLG	3.1
1.8	New Homes Bonus	CLG	2.3
0.0	Independent Living Fund Grant	CLG	1.5
1.2	Tackling Troubled Families	CLG	0.8
0.1	Severe Weather Recovery	DfT	0.0
1.1	Local Welfare Fund	DWP	0.0
0.7	Other Grants	Various	0.6
25.7	Total revenue grants		15.8
	Capital grants and contributions:		
1.1	Devolved Formula Capital	DfE	1.0
0.2	Learning and Achievement Growth Fund	DfE	0.0
10.5	Schools Maintenance and Basic Need	DfE	8.4
0.4	Contribution from Diocesan Schools	Various	0.1
10.7	Targeted Basic Need Funding & Universal Free School Meals	DfE	0.0
0.1	Academy Grant	EFA	0.0
1.2	Adult Social Care Personal Social Services Capital Grant 2014/15	DH	0.0
1.0	Land Swap		0.0
0.8	Fire Capital Grant	CLG	0.2
0.1	Environment Agency	CLG	0.0
20.0	Local Transport Plan & other transport grants	mainly DfT	15.6
0.0	Better Care Grant	DoH	1.2
0.0	Contribution from other local authorities	Various	0.8
8.4	Private developer funding	Various	6.8
0.5	Other grants/contributions	Various	0.9
55.0	Total capital grants		35.0
80.7	Total		50.8

The balances at year end are as follows:

31 March 2015	Grant receipts in advance	Awarding department	31 March 2016
£ m			£ m
	Revenue grant receipts in advance		
0.1	Common Assessment Framework Demonstrator Grant	DH	0.0
0.2	Delayed Transfer of Care	DH	0.1
0.1	Other grants	Various	0.1
0.4	Total revenue grants		0.2
	Capital grant receipts in advance		
2.4	Devolved Formula Capital	DfE	1.8
0.0	Primary Capital Programme	DfE	0.2
0.0	Grant from Other Local Authorities	Various	0.2
0.0	Fire Grants	CLG	1.2
0.0	Environment Agency	ENV	2.0
1.9	Pinch Point Grant	DfT	0.0
8.0	Private developer funding	Various	18.4
0.4	Other grants/contributions	Various	0.0
12.7	Total capital grants		23.8
13.1	Total		24.0

Awarding departments

BIS is the Department Business Innovation and Skills

CLG is the Department for Communities and Local Government

CCG's are the Clinical Commissioning Groups in Warwickshire

DCMS is the Department of Culture, Media and Sport

DEFRA is the Department for the Environment, Food and Rural Affairs

DfE is the Department for Education

DfT is the Department for Transport

DH is the Department of Health

DWP is the Department for Work and Pensions

EFA is the Education Funding Agency

ENV is the Environment Agency

HO is the Home Office

Note 25: Accounting standards issued that have not yet been adopted

The following accounting standards have been issued but not yet adopted:

- Amendments to IAS 19 Employee Benefits (Defined Benefit plans: Employee Contributions).
- Annual Improvements to IFRSs 2010 – 2012 Cycle. Includes IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement and IAS 24 Related Party Disclosures
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).
- Annual Improvements to IFRSs 2012-2014 Cycle. Includes IFRS 5 Non Current Assets Held for Sale and Discontinued Operations and IFRS 7 Financial Instruments Disclosures.

- Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative).

We are not required to adopt these standards under the Code of Practice on Local Authority Accounting 2015/16 and it is not expected that the implementation of these standards will have a material effect on our financial statements when implemented.

For the 2016/17 accounts, the CIPFA code of practice on transport infrastructure assets requires a change of measurement for transport infrastructure assets from historic cost to discounted replacement cost. These measurement changes will represent a change in accounting policy from 1 April 2016. The balance sheet asset value is expected to increase by approximately £7.4bn (not yet subject to audit).

In 2016/17 we will also be required to adopt changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis Statement.

Note 26: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions we have made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in our Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	<p>If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £3.7 million for every year that useful lives are reduced.</p>
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £133.8 million.</p> <p>During 2015/16, our actuaries advised that the net pensions' liability has decreased by £146 million mainly as a result of a large actuarial gain caused by low inflation in the year.</p>
Fair Value	<p>It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs).</p> <p>For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date and for level 3 inputs</p>	<p>We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale under IFRS 13.</p> <p>The unobservable inputs used in the fair value measurement include assumptions regarding rent growth and occupancy levels.</p>

	<p>we use the most recent valuations.</p> <p>Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values.</p> <p>Where Level 1 inputs are not available, we use our internal RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>
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Note 27: Authorisation for issue

These accounts have taken into account all known events up to xx September 2016. On that date the accounts were authorised for issue by the Head of Finance.

John Betts
Head of Finance

Note 28: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance lease), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically has yet to be financed. The CFR is analysed in the second part of this note.

2014/15 £ m	Capital financing requirement (IFRS)	2015/16 £ m
321.3	Opening requirement	305.4
	Capital investment	
64.7	- Property, plant & equipment	68.9
0.0	- Intangible assets	0.1
1.2	- Investment property	1.7
0.2	- Long term Investments (Financial Assets)	0.0
10.0	- Revenue spending from capital under statute	15.1
76.1	Total capital investment	85.7
	Sources of finance	
-9.1	- Capital receipts	-2.4
-59.8	- Government grants and other contributions	-43.9
	- Sums set aside from revenue:	
-7.2	- Direct revenue contributions	-10.3
-15.9	- MRP/loans fund principal	-15.0
-92.0	Total sources of income	-71.7
305.4	Closing capital financing requirement	319.4

Table may not sum due to roundings

2014/15 £ m	Explanation of movements in the year	2015/16 £ m
-15.8	Increase in underlying need to borrow	14.0
-0.1	Assets acquired under finance leases	0.0
-15.9	Increase/decrease(-) in Capital Financing Requirement	14.0

For details of our funding for capital see the narrative statement on page 14.

Note 29: Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 24 to 31, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, we have determined that this uncertainty is not yet sufficient to provide an indication that our assets might be impaired as a result of a need to close facilities and reduce levels of service provision.
- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts. In accordance with the Code we include them in our single entity accounts and we do not have to prepare separate group accounts. Details of the value and number of each type of school included in our accounts is shown at Note 9 on page 41.
- When a school that is held on our Balance Sheet transfers to academy status we account for this as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed.
- Details of our relationships with other companies and investments in companies are detailed in note 43 on page 76. These were not material for us and we have not prepared group accounts on this basis.

Note 30: Dedicated Schools' Grant

In line with the requirements of Regulation 7(4) of the Accounts and Audit Regulations 2015, we can confirm that the Dedicated Schools' Grant received in 2015/16 was £239.0 million (made under section 14 of the Education Act 2002) and has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45a, 45aa, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of schedule 14 to, the Schools Standards and Framework Act 1998.

Our spending on schools is funded by money from the Department for Education. The grant is ring-fenced, which means we can only use it to meet spending that is included in the schools' budget. The schools' budget includes a limited range of services that are provided across the authority and the individual school budget which is divided into a budget share for each school. The overspending and underspending on the two parts are accounted for separately.

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The DSG figure is as confirmed by the Department for Education in March 2016. The 2015/16 early years adjustment has yet to be announced.

2014/15 Total £ m		2015/16		
		Central Spending £ m	Individual schools budget (ISB) £ m	Total £ m
356.5	Final DSG for the year before Academy recoupment	66.3	309.3	375.5
-114.1	Less Academy recouped for the year	0.0	-136.5	-136.5
242.4	Total DSG after Academy recoupment for the year	66.3	172.8	239.0
1.2	Plus DSG brought forward from the previous year	-0.0	0.0	-0.0
0.0	Less DSG Carry forward to next year agreed in advance	0.0	0.0	0.0
243.6	Agreed initial budgeted distribution in the year	66.3	172.8	239.0
0.5	In year Adjustments	-0.2	0.0	-0.2
244.1	Final budgeted DSG distribution for the year	66.0	172.8	238.8
-64.9	Actual central spending for the year	-68.2	0.0	-68.2
-180.5	Actual ISB deployed to schools	0.0	-172.8	-172.8
1.3	Our contribution in the year	2.2	0.0	2.2
-0.0	Under spend for the year (carried forward)	-0.0	0.0	-0.0

Note 31: Events after the Balance Sheet date

Academies

As a result of the Government's white paper 'The Importance of Teaching', which allows Schools to opt out of local government control by becoming academies, a number of Warwickshire schools have chosen to take up the new academy status in 2015/16 and a further number of Warwickshire schools are anticipated to also convert to academy status in 2016/17 and beyond.

During 2015/16 1 community school and 3 voluntary controlled or aided schools became academies. A total of 3 community schools and 4 voluntary controlled or voluntary aided schools have applied to the Department for Education to convert to academy status after 1 April 2016. This is based on information as at 31 March 2016.

The significance of the conversion of these schools to academy is that the value of the land, buildings and any vehicles, plant and equipment will be removed from our Balance Sheet at the date of conversion.

The value of the derecognition of the current schools looking to convert to academy status after 31 March 2016 will be in the region of £75.1 million.

Note 32: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2014/15) for the year in relation to the audit of the Statement of Accounts and certification of grant claims provided by our external auditors.

Note 33: Leases

Authority as lessee

- Finance leases

We have acquired some equipment under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet. These amounts are not material to the financial statements.

- Operating leases
We have acquired a number of buildings, vehicles and items of equipment by entering into operating leases. These amounts are not material to the financial statements.

Authority as lessor

- Finance leases
We do not have any finance leases as lessor.
- Operating leases
We lease out property under operating leases for the following purposes:
 - For the provision of community services, such as community centres, homes for the elderly and disabled nurseries;
 - For economic development purposes to provide accommodation for local businesses;
 - For the support of rural businesses to support smallholdings and farming; and
 - To individuals for personal and business use.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2015 £ m	Operating lease period	31 March 2016 £ m
1.5	Not later than 1 year	1.4
4.4	Later than 1 year and not later than 5 years	4.2
10.0	Later than 5 years	9.6
15.9	Total	15.2

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £0.1 million (£0.2 million in 2014/15) contingent rents were receivable by the authority.

Note 34: Contingent assets

We currently have no contingent assets.

Note 35: Contingent liabilities

We are a partner of a special company for the 'Pride in Camp Hill Regeneration Initiative'. The company was set up in 2002/03. We have entered into an agreement with our partners the Homes and Communities Agency and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. We expect this to be completed by 2023. Each partner is committed to funding the running costs of the company in equal shares. Our share was £720,000 over the five years following this agreement. Also the partners have agreed to guarantee overdraft facilities of £100,000 with the company's bank, again to be shared equally by all partners.

Note 36: Members' allowances

Elected members were paid a total of £0.815 million (£0.796 million in 2014/15) in allowances and expenses. In addition we paid independent and co-opted members allowances and expenses of £0.020 million (£0.012 million in 2014/15). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2015/16 are available on our website www.warwickshire.gov.uk.

Note 37: Nature and extent of risk arising from financial instruments

Our activities expose us to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to us;
- Liquidity risk – the possibility that we might not have funds available to meet our commitments to make payments; and
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Our overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out by a central treasury management team, under policies approved by the Council annually in the Treasury Management Strategy and is available via www.warwickshire.gov.uk. We provide written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of short-term F1, long-term A, Viability A, support 1 (3 for UK banks).

Many of the invoices we raise are the result of statutory obligations. However, where we are providing non statutory goods or services to customers, we consider their ability to pay. A number of checks are available to managers as outlined in our Debt Recovery Best Practice Guide.

We have assessed our potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years. This has been adjusted to reflect current market conditions. However, there is no effect as there is no instance of institutions that meet our credit ratings defaulting in the last five years.

Liquidity risk

As we have ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that we will be unable to raise finance to meet our commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of our borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period.

The maturity analysis of financial liabilities is as follows:

On 31 March 2015 £ m	Loans we have not yet repaid	On 31 March 2016 £ m
	We owe money to:	
383.5	~ Public Works Loans Board	378.4
383.5	Total	378.4
	When we will pay the money back	
5.1	Less than 1 year	25.0
25.0	Between 1 and 2 years	1.1
11.1	Between 2 and 5 years	30.0
20.0	Between 5 and 10 years	0.0
322.3	More than 10 years	322.3
383.5	Total	378.4

Our level of borrowing is mainly due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2015/16 to pay for new capital spending.

We use cash reserves which we have set aside to support future years' revenue budgets to invest in the short term. We have included these as short-term investments on the Balance Sheet.

All trade and other payables are due to be paid in less than one year.

Market risk

Interest Rate Risk

We are exposed to significant risk in terms of our exposure to interest rate movements on our borrowings and investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

As part of our strategy for managing interest rate risk we aim to keep a maximum of 25% of our borrowing in variable rate loans.

We have an active strategy for assessing interest rates exposure that allows for any adverse changes to be incorporated into the budget on a quarterly basis. According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- A decrease in the fair value of fixed rate investment assets of £0.040 million (£0.020 million in 2014/15)
- A decrease in fair value of fixed borrowing of £78.9 million (£78.4 million in 2014/15).

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

Price risk

We have some shareholdings in related companies most of which have been derecognised in full prior to April 2006. Those shareholdings existed in the acquisition of specific interests and we are as such not in a position to diversify our portfolio. The current value of the shareholding is £0.490 million. This is classified as "available for sale" meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. In 2015/16 this amounted to a gain of £0.194 million. We also have a number of investment holdings where any movements in their values are not realised until they are disposed of. At 31 March each year we account for the current increase or decrease in its value by recognising this change as an unrealised gain or loss. At 31 March 2016 we recognised a total unrealised loss of £0.5 million in the Comprehensive Income and Expenditure Account.

Treasury management

We take into account the Department for Communities and Local Government guidance on local government investments issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes.

We aim to achieve the optimum return on our investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest and make a return is unlawful and we do not engage in such activity. Our external fund managers comply with the Annual Investment Strategy. The agreement between us and the fund managers additionally stipulates additional guidelines and limits in order to manage risk.

Note 38: Officers remuneration and termination benefits

We are required to show the number of our staff who are paid more than £50,000 a year. This is shown in the table below. Pay includes salary, redundancy, travel and other costs. These figures do not include employer's pension contribution and exclude remuneration for senior staff who are shown separately.

2014/15		Remuneration	2015/16					
Staff (revised total)			Staff		Staff Left in the Year *		Revised Total	
Teaching	Other		Teaching	Other	Teaching	Other	Teaching	Other
83	35	£50,000 - £54,999	79	67	0	2	79	65
58	32	£55,000 - £59,999	56	39	0	3	56	36
29	11	£60,000 - £64,999	32	14	1	4	31	10
20	7	£65,000 - £69,999	16	6	0	2	16	4
8	16	£70,000 - £74,999	13	19	0	1	13	18
5	5	£75,000 - £79,999	5	7	0	3	5	4
3	2	£80,000 - £84,999	4	3	0	1	4	2
1	9	£85,000 - £89,999	4	11	2	1	2	10
0	3	£90,000 - £94,999	1	1	0	0	1	1
1	0	£95,000 - £99,999	0	3	0	0	0	3
0	0	£100,000 - £104,999	0	1	0	1	0	0
0	0	£105,000 - £109,999	1	0	0	0	1	0
0	0	£110,000 - £114,999	0	0	0	0	0	0
0	1	£115,000 - £119,999	0	0	0	0	0	0
1	1	£120,000 - £124,999	0	0	0	0	0	0
0	0	£125,000 - £129,999	1	0	0	0	1	0
0	0	£190,000 - £194,999	0	1	0	1	0	0
209	122		212	172	3	19	209	153

The 2015/16 figures above exclude 6 agency/interim staff (9 in 2014/2015).

A number of employees left during 2015/16, incurring costs of £2.3 million (£3.0 million in 2014/15). None of this relates to senior staff. This cost includes officers who have left as part of on-going savings and efficiency plans. See table below for details.

Exit Package Cost Band (including Special Payments)	Number of redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	123	12	44	69	167	81	1.071	0.512
£20,001 - £40,000	25	10	5	18	30	28	0.856	0.859
£40,001 - £60,000	4	0	2	8	6	8	0.279	0.383
£60,001 - £80,000	3	0	0	2	3	2	0.212	0.141
£80,001 - £100,000	2	2	0	0	2	2	0.173	0.170
£100,001 - £150,000	2	0	0	0	2	0	0.268	0.000
£150,001 - £200,000	0	1	1	0	1	1	0.187	0.195
	159	25	52	97	211	122	3.046	2.260

We are required to disclose the remuneration of senior employees, as defined by regulation, by post for salaries under £150,000 and by name for those whose salary is over £150,000. Remuneration for senior staff includes the employer's contribution to the appropriate pension fund.

Post holder information (post title and name)		Salaries (including fees and Allowances)	Taxable Expense Allowances	Compensation for loss of office	Total excluding pension contributions	Employer's Pension Contributions	Total including pension contributions
		£	£	£	£	£	£
Chief Executive - Jim Graham	2014/15	172,866	0	0	172,866	28,955	201,821
	2015/16	172,866	0	0	172,866	30,252	203,118
Strategic Director, People Group							
1 April to 30 November 2014 (note 1)	2014/15	126,179	0	7,000	133,179	195,850	329,029
1 January to 31 March 2015 (note 1)	2014/15	0	0	0	0	0	0
Note 2	2015/16	0	0	0	0	0	0
Chief Fire Officer	2014/15	121,054	0	0	121,054	25,785	146,839
	2015/16	121,357	0	0	121,357	26,334	147,691
Strategic Director, Communities	2014/15	127,027	0	0	127,027	21,277	148,304
	2015/16	128,935	0	0	128,935	22,564	151,499
Strategic Director, Resources	2014/15	127,027	0	0	127,027	0	127,027
	2015/16	128,935	0	0	128,935	0	128,935
Head of Public Health - Dr John Linnane (Note 3)	2014/15	155,010	0	0	155,010	21,693	176,703
	2015/16	154,952	0	0	154,952	22,158	177,110
Head of Finance	2014/15	101,009	0	0	101,009	16,919	117,928
	2015/16	102,526	0	0	102,526	17,942	120,468
Total 2014/2015		930,172	0	7,000	937,172	310,479	1,247,651
Total 2015/2016		809,571	0	0	809,571	119,250	928,821

Note 1: The Strategic Director, People Group left the authority on 30 November 2014. The annualised salary for the year was £127,027. The new Strategic Director, People Group started on 1 January 2015. Payments via an Agency for the period 1 January 2015 to 31 March 2015 were £63,993.

Note 2: Payments to the Interim Strategic Director, People Group was via an Agency and for the period 1 April 2015 to 31 March 2016 payments were £257,990.

Note 3: The standard salary for the Head of Public Health is £95,860. Additional payments for Clinical Excellence Award, Additional Programme Activity and the Director of Public Health role result in the total salary shown in the table.

Note 39: Pension schemes

IAS 19 Accounting for pension costs: local authorities

This note provides the information we must give under IAS 19. The purpose of IAS19 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The movement in reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets for the LGPS, the Firefighters' Pension Scheme, the Firefighters' Injury Awards Scheme and the Discretionary Teachers' Scheme. This note applies as well as note 20 on reserves on page 50.

As part of the terms and conditions of employment, we offer retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

We show the cost of retirements benefits in 'Money spent on services' in the Comprehensive Income and Expenditure Statement when employees earn them. We have made adjustments in the Movement in Reserves Statement so that the charge made against the council tax reflects the actual cash we have paid relating to the year.

The table on page 70 shows details of the assumptions our actuaries have made when estimating the liabilities and other figures included in this note. The movement in reserves (see table on page 72) sets out the actuarial gains and losses made in 2015/16.

On this basis, the balance sheet liability for each scheme and the increase/decrease in the shortfall is as follows:

Scheme net liability	31 March 2015	31 March 2016	Increase/decrease (-) in net liability
	£m	£m	£m
LGPS	486.2	377.0	-109.2
Teachers Discretionary	53.5	47.8	-5.7
Firefighters	259.6	232.3	-27.3
Firefighters Injury	28.1	24.3	-3.8
All schemes	827.4	681.4	-146.0

A table analysing the change in the present value of pension scheme liabilities is on page 71.

The liability arising from the IAS 19 calculations is notional and has no direct effect on our reserves or the employer's contributions. For unfunded schemes we pay the pensions or awards as they become due in the year.

A table analysing our pension scheme accounting on page 72 shows the transactions that have been reflected in the Comprehensive Income and Expenditure Statement during the year.

When we assessed our liabilities for retirement benefits as at 31 March 2016, we used a rate based on the current rate of return on a corporate bond and for a length of time that matched the scheme's liabilities. The actuary has advised that the rates shown below are appropriate and has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, as shown in the table below.

Pension Scheme	2014/15 Rate of Return %	2015/16 Rate of Return %
Teachers	0.8% real (3.2% actual)	1.3% real (3.5% actual)
Fire-fighters	0.8% real (3.2% actual)	1.3% real (3.5% actual)
Fire-fighters injury awards	0.8% real (3.2% actual)	1.3% real (3.5% actual)
LPGS	0.8% real (3.2% actual)	1.3% real (3.5% actual)

Teachers

We operate a defined benefit pension scheme for our teaching staff, under the Superannuation Act 1972. The Teachers' Pensions Agency (TPA) manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The scheme provides teachers with a defined benefit when they retire. Although we employ teachers, their retirement and superannuation benefits are paid out of money provided by the Government. The Government sets teachers' and employers' contribution rates. Although the scheme is unfunded, the TPA uses an assumed fund to work out the contribution rate that local authorities must pay. In line with IAS19, we have therefore worked out these figures in the same way as for a defined contribution scheme.

The last actuarial valuation of the Teachers' Pension Agency (for all teachers) was in 2005 for the period 1 April 2001 to 31 March 2004. The Government Actuary's (GA) report of March 2003 revealed that the total liabilities of the scheme amounted to £166.5 billion. The value of assets (estimated future contributions, together with the proceeds from the notional investments held at the valuation date) was £163.2 billion. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. No contributions for the teachers' pension scheme needed to be paid at the end of the financial year.

There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2015/16, teachers paid between 7.4% and 11.7% of their salary (6.4% in 2014/15) and we paid 14.15% up to 31 August 2015 and 16.48% from 1 September of teachers' salaries (14.1% in 2014/15). A supplementary contribution is not needed at present. The total employers' contribution cost was £13.8 million in 2015/16 (£13.6 million in 2014/15).

Although we class the teachers' pension scheme as a defined contribution scheme under IAS19, we are responsible for paying any extra added years of benefits and early retirement costs to pensioners. Under IAS19, these extra costs are classed as defined benefits. As a result, in our accounts we need to show the extra cost of pensions' decisions we made in the current year, no matter when we will actually pay these financial costs.

There is no fund for teachers' discretionary benefits and so there are no assets. Our actuaries calculate our liabilities using the assumptions shown in the table on page 70 and their opinion on the life expectancy of people once they have retired.

In 2015/16 the pension payments relating to added pensionable years we have awarded came to £3.0 million (£3.0 million in 2014/15) and represented 3.3% (3.1% in 2014/15) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2015/16, these retirement costs were nil (nil in 2014/15).

The Firefighters' Pension Scheme

There is a defined-benefit pension scheme for our firefighters, under the Superannuation Act 1972.

The Firefighters' Pension Scheme in England is an unfunded scheme where the employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due.

We pay an employer's pension contribution, based on a percentage of pay, into the pension fund. Each fire and rescue authority must now run a pension fund and the amounts that must be paid into and out of the pension fund are set by

regulation. We pay firefighters' retirement and superannuation benefits and they are charged to the Firefighters' Pension Fund. The pension fund will be balanced to nil at the end of the year by either paying over to the government the amount by which the amount due to the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the government. This grant is paid to the Firefighters Pension Fund and not the County Council.

The employees' and employers' contribution rates set by the Government for 2015/16 are between 11.0% and 17.0%/8.5% and 12.5%/10.0% and 14.5% (employees 1992 scheme / 2006 scheme / 2015 scheme) and 21.7%/11.9%/14.3% (employees 1992 scheme / 2006 scheme / 2015 scheme) of firefighters' pay. In 2015/16, pension payments totalled £5.8 million (£5.6 million in 2014/15) and this was 43% (64.5% in 2014/15) of pensionable pay. We must pay any costs relating to early retirement. The costs totalled £0.1 million in 2015/16.

The table on page 70 reflects our actuaries opinion on the life expectancy of people once they have retired.

Firefighters Injury Awards Scheme

On 1 April 2006 the firefighters' injury awards ceased to be a firefighters' pension liability and ongoing costs were to be financed from our revenue account. We recognised that there was an ongoing liability to pay injury awards and these are now included in our Balance Sheet.

This liability is subject to the same actuarial assumptions as the main firefighters' scheme. It is not a separate pension scheme as there is a benefit paid whether the recipient of the injury award is a member of the scheme or not. There is therefore no provision from any other source to finance this benefit. It is unfunded and met from the service revenue budget. However, the liability forms part of our overall pensions' liability.

We value liabilities at their present cost.

National Health Service Pension Scheme

During 2013/14 NHS staff transferred to us. These staff have maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and we contribute towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, we are not able to identify our share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16 we paid £0.261 million (£0.255 million in 2014/15) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees contributions of which £0.021 million (£0.021 in 2014/15) was outstanding at the year end. Our contribution represents 14.3% of pensionable pay (14.0% in 2014/15).

Local Government Pension Scheme - other employees

We operate a funded, defined-benefit pension scheme for our staff, under the Local Government Pensions Scheme Regulations 2013. We manage the scheme for ourselves, the five district councils and a number of other organisations. We prepare the accounts in line with the CIPFA Code of Practice and they are separate from our financial statements.

The scheme provides pensions and other retirement benefits for employees. It is a funded defined benefit salary scheme, meaning that we and employees pay contributions into a fund calculated at a level intended to balance pension liabilities with investment assets.

An actuarial valuation is carried out every three years. It assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund's projected assets and liabilities and the amount employers will have to contribute for the next three years. The valuation on 31 March 2013 set the rates for 2014/15, 2015/16 and 2016/17.

In the valuation carried out as at 31 March 2013 the funding level reduced from 83% to 77%. As a result, the employers' rate increased from 1 April 2014 from 16.75% to 17.5% and is expected to increase by 0.75% per annum for 2016/17.

In 2015/16, the contribution rates were based on the results of the 31 March 2013 actuarial valuation. As a result, our employer's contribution rate was 285% of the employees' contribution (275% for 2014/15).

In 2015/16, we made normal employer's contributions totalling £23.9 million (£22.8 million in 2014/15).

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2015/16, these came to £1.3 million (£1.3 million in 2014/15), which was 0.9% (1.0% in 2014/15) of pensionable pay.

Our share of the Warwickshire LGPS Pension Fund assets and liabilities are:

31 March 2015 Restated £ m	Local Government Pension Scheme	31 March 2016 £ m
872.7	Fair value of assets	884.4
-1,358.9	Present value of liabilities	-1,261.4
-486.2	Shortfall	-377.0

31 March 2015 £ m	Local Government Pension Scheme	31 March 2016 £ m
1,379.2	Assets at last valuation as at 31 March 2013	1,379.2
1,631.3	Whole Fund Assets as at 31 March 2015	1,665.1

We show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the assumptions in the table on page 70.

The post retirement mortality assumptions reflect the actuary's opinion on the life expectancy of people once they have retired, this year's assumptions are based on the SAPs birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with 1% pa long term trend.

The value of the pension fund assets at 31 March 2016 is based on the market value at 31 December 2015. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the Balance Sheet date.

There were re-measurements as a result of a difference between expected and actual returns on assets which amounted to 0.25% of the value of assets at 31 March 2016.

The fair value of our share of the Warwickshire LGPS Pension Fund assets are as follows:

31 March 2016	Quoted prices in active markets £ million	Quoted prices not in active markets £ million	Total £ million	Percentage total assets
Equity securities:				
Consumer	99.5		99.5	11%
Manufacturing	37.1		37.1	4%
Energy and utilities	16.9		16.9	2%
Financial institutions	48.2		48.2	5%
Health and care	29.5		29.5	3%
Information technology	24.2		24.2	3%
Other	33.8		33.8	4%
Private equity:				
All	0.0	23.9	23.9	3%
Real estate:				
UK property	101.5		101.5	11%
Overseas property	0.7		0.7	0%
Investment funds and unit trusts:				
Equities	218.0		218.0	25%
Bonds	148.5		148.5	17%
Hedge funds	0.0	44.0	44.0	5%
Infrastructure	0.0	7.8	7.8	1%
Other	40.5		40.5	5%
Cash and cash equivalents	10.3		10.3	1%
Totals	808.7	75.7	884.4	100%

31 March 2015	Quoted prices in active markets £ million	Quoted prices not in active markets £ million	Total £ million	Percentage of total assets
Equity securities:				
Consumer	91.1	0.0	91.1	10%
Manufacturing	38.7	0.0	38.7	4%
Energy and utilities	31.1	0.0	31.1	4%
Financial institutions	50.9	0.0	50.9	6%
Health and care	20.6	0.0	20.6	2%
Information technology	22.9	0.0	22.9	3%
Other	23.8	0.0	23.8	3%
Private equity:				
All	0.0	15.7	15.7	2%
Real estate:				
UK property	88.0	0.0	88.0	10%
Overseas property	1.2	0.0	1.2	0%
Investment funds and unit trusts:				
Equities	224.8	0.0	224.8	26%
Bonds	151.7	0.0	151.7	17%
Hedge funds	0.0	38.6	38.6	4%
Other	32.1	0.0	32.1	4%
Cash and cash equivalents	41.5	0.0	41.5	5%
Totals	818.4	54.3	872.7	100%

31 March 2015 £ m	Change in Fair Value of WCC Share of LGPS Assets	31 March 2016 £ m
782.9	Fair value of assets at the beginning of the year	872.7
-7.9	Effect of settlements	-3.4
33.2	Interest Income on plan assets	27.8
67.3	Remeasurements on assets	-10.5
25.5	Employers' contributions (including receipts covering early retirements)	25.2
8.4	Member contributions	8.4
-36.7	Benefits/transfers paid	-35.8
872.7	Fair value of assets at the end of the year	884.4

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2016, but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes.

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

In order to calculate the long term expected return on assets, the Fund's actuary, Hymans Robertson, use a model, the Hymans Robertson Asset Model (HRAM).

While it is impossible to predict future asset returns with certainty, the model allows the actuary to simulate thousands of possible outcomes over the long term. In each of these outcomes, different asset classes will have different returns. This means that they can use the many different outcomes to calculate central estimates for asset class returns (i.e. where 50% of returns are above and 50% are below the estimated). They also make assumptions about the expected uncertainty of these.

The expected rates of return quoted in the accounting schedules are based on a set of possible outcomes over a period of 20 years (as an approximation for the long term), starting at 31 March 2016. Different models will use different assumptions and will therefore produce different returns to that of the HRAM.

The only exception to the use of HRAM is in deriving the expected return on bond assets. The yields applicable on suitable bond indices as at 31 March 2016 are used instead of that calculated by HRAM.

For more information, please contact Mathew Dawson on 01926 412861 (email mathewdawson@warwickshire.gov.uk) for a copy of our Pension Fund's Annual Report 2015/16.

31 March 2015				Pension scheme assumptions	31 March 2016			
LGPS	Teachers	Firefighters	Firefighter Injury Award		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				Financial assumptions:				
2.4%	2.4%	2.5%	2.4%	Rate of Inflation CPI	2.2%	2.2%	2.2%	2.2%
4.3%	4.3%	3.5%	3.4%	Salary Increase	4.2%	4.2%	4.2%	4.2%
2.4%	2.4%	2.5%	2.4%	Pensions increases	2.2%	2.2%	2.2%	2.2%
3.2%	3.2%	3.3%	3.2%	Rate of discount	3.5%	3.5%	3.5%	3.5%
				Life expectancy assumptions:				
22.4 (24.4)	22.4 (24.4)	29.5 (31.7)	29.5 (31.7)	A male (female) current pensioner aged 65	22.4 (24.4)	22.4 (24.4)	22.4 (24.4)	22.4 (24.4)
24.3 (26.6)	24.3 (26.6)	31.1 (33.2)	31.1 (33.2)	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.6)	24.3 (26.6)	24.3 (26.6)	24.3 (26.6)
				Commutation of pension for lump sum at retirement:				
75.0%	n/a	0.9	0.9	~ Taking maximum cash	75.0%	75.0%	75.0%	75.0%
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0%	50.0%	50.0%	50.0%

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below.

Change in assumptions as at 31 March 2016	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.5% decrease in real discount rate	11%	133.8
1 year increase in member life expectancy	3%	37.8
0.5% increase in the salary increase rate	3%	38.7
0.5% increase in the pension increase rate	7%	93.1

31 March 2015				Change in present value of pension scheme liabilities during the year	31 March 2016			
LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million		LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million
1,155.7	51.0	217.5	24.3	Benefit obligation at the beginning of the year	1,358.9	53.5	259.6	28.1
30.9	0.0	4.1	0.5	Current service costs	39.2	0.0	4.3	0.5
-19.4	0.0	0.0	0.0	Effect of Settlements	-9.6	0.0	0.0	0.0
48.6	2.1	9.5	1.0	Interest on pensions liabilities	43.4	1.6	8.2	0.9
8.4	0.0	1.2	0.0	Member contributions	8.4	0.0	1.2	0.0
0.4	0.0	0.0	0.0	Past service costs (gain)	0.3	0.0	0.0	0.0
-36.7	-3.3	-7.1	-0.6	Benefits/transfers paid	-35.8	-3.2	-8.2	-0.6
170.9	3.7	34.5	2.9	Remeasurements on liabilities	-143.4	-4.1	-32.8	-4.6
1,358.9	53.5	259.6	28.1	Present value of liabilities at the end of the year	1,261.4	47.8	232.3	24.3

Table may not sum due to roundings

31 March 2015					Pension scheme accounting	31 March 2016				
LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m		LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m
					Spending:					
30.9	0.0	4.1	0.5	35.5	Current service cost	39.2	0.0	4.3	0.5	44.0
0.4	0.0	0.0	0.0	0.4	Past service cost and curtailments	0.3	0.0	0.0	0.0	0.3
-11.5	0.0	0.0	0.0	-11.5	Effects of Settlement	-6.1	0.0	0.0	0.0	-6.1
48.6	2.1	9.5	1.0	61.2	Interest cost	43.4	1.7	8.2	0.9	54.2
-33.2	0.0	0.0	0.0	-33.2	Interest income on plan assets	-27.8	0.0	0.0	0.0	-27.8
35.2	2.1	13.6	1.5	52.4	Net charge to CIES	49.0	1.7	12.5	1.4	64.6
					Contribution from Pensions Reserve:					
-113.4	-2.6	-42.2	-3.8	-162.0	Movement on the Pensions Reserve	109.2	5.7	27.3	3.8	146.0
103.7	3.7	34.5	2.9	144.8	Re-measurements recognised in CIES	-133.0	-4.1	-32.8	-4.6	-174.5
n/a	n/a	-4.7	n/a	-4.7	Funded by Government top up grant	n/a	n/a	-5.1	n/a	-5.1
-9.7	1.1	-12.4	-0.9	-21.9	Contribution (from) Pensions Reserve	-23.8	1.6	-10.6	-0.8	-33.6
					Actual amount charged against council tax:					
25.5	n/a	1.7	n/a	27.2	Employers contributions & ill-health contributions	25.3	n/a	1.6	n/a	26.9
25.5	n/a	1.7	n/a	27.2	Amount charged against council tax	25.3	n/a	1.6	n/a	26.9
					Amount funded by government top up grant					
n/a	n/a	7.1	n/a	7.1	Retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	8.2	n/a	8.2
n/a	n/a	0.5	n/a	0.5	Retirement Benefits paid directly by Government Top Up Grant	n/a	n/a	-0.3	n/a	-0.3
n/a	n/a	-1.2	n/a	-1.2	Employee contributions	n/a	n/a	5.1	n/a	5.1
n/a	n/a	-1.7	n/a	-1.7	Employers contributions & ill-health contributions	n/a	n/a	-1.6	n/a	-1.6
n/a	n/a	4.7	n/a	4.7	Government top up grant receivable	n/a	n/a	11.4	n/a	11.4
					Movement in Reserves Statement					
-35.2	-2.2	-21.2	-1.5	-60.1	Reversal of net charges made for retirement benefits in accordance with IAS 19	-49.1	-1.6	-20.4	-1.4	-72.5
25.5	0.0	1.7	0.0	27.2	Employers contributions & ill health contributions	25.3	0.0	1.6	0.0	26.9
0.0	3.3	7.1	0.6	11.0	Retirement benefits paid or due to be paid to pensioners and transfers out	0.0	3.2	8.2	0.6	12.0
-9.7	1.1	-12.4	-0.9	-21.9	Movement in Reserves Statement	-23.8	1.6	-10.6	-0.8	-33.6

This table shows how the value of our pension assets and liabilities has changed over the years.

	31 March 2013	31 March 2014	31 March 2015	31 March 2016
	£ m	£ m	£ m	£ m
Fair value of LGPS assets	744.0	782.9	872.7	884.4
Present Value of Liabilities:-				
~ Local Government Pension Scheme	-1,110.5	-1,155.7	-1,358.9	-1,261.4
~ Teachers Pension Scheme	-50.7	-50.9	-53.5	-47.8
~ Firefighters Pension Scheme	-223.4	-217.4	-259.6	-232.3
~ Firefighters Injury Awards scheme	-17.1	-24.3	-28.1	-24.3
Total present value of liabilities	-1,401.7	-1,448.3	-1,700.1	-1,565.8
~ Local Government Pension Scheme	-366.5	-372.8	-486.2	-377.0
Total surplus/deficit	-657.7	-665.4	-827.4	-681.4

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £1,565.8 million has a substantial effect on our net worth as recorded in the Balance Sheet, resulting in an overall balance of £681.4 million. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

- LGPS - the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Firefighters Pension Scheme - the deficit is paid by Central Government;
- Teachers' Pension Scheme finance - finance is provided by the Teachers Pensions Agency;
- Firefighters' Injury Awards – these are financed through revenue budgets.

The following table shows the actuarial gains and losses for current and previous years. It also shows the impact of periodic changes to actuarial assumptions. This is the difference between the assumptions made by the actuary and the actual experience.

LGPS	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	
2012/13	60.5	8.1	-127.3	11.2	3.1	0.3	-63.7
2013/14	9.3	1.2	-29.2	2.5	40.5	3.5	20.6
2014/15	67.3	7.7	-180.3	-13.3	9.4	0.7	-103.6
2015/16	-10.5	-1.2	126.1	10.0	17.3	1.4	132.9
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							-13.8

Teachers	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	
2012/13	0.0	0.0	0.0	0.0	-3.1	6.2	-3.1
2013/14	0.0	0.0	0.6	1.2	0.7	1.4	1.3
2014/15	0.0	0.0	3.8	7.1	-0.1	0.0	3.7
2015/16	0.0	0.0	2.6	5.4	1.6	1.5	4.2
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							6.1

Firefighters	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2012/13	0.0	0.0	8.0	3.6	28.2	12.6	36.2
2013/14	0.0	0.0	9.6	4.4	5.3	2.4	14.9
2014/15	0.0	0.0	42.5	16.4	-8.0	-3.1	34.5
2015/16	0.0	0.0	-22.8	-9.8	-10.0	-4.3	-32.8
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							52.8

Firefighters Injury Awards	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to		Total
	£ m	%	£ m	%	£ m	%	£ m
2012/13	0.0	0.0	-5.9	34.7	3.2	18.8	-2.7
2013/14	0.0	0.0	7.8	32.2	-1.5	6.2	6.3
2014/15	0.0	0.0	3.5	12.5	-0.6	-2.1	2.9
2015/16	0.0	0.0	-2.4	-9.9	-2.2	-7.8	-4.6
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							1.9

Note 40: PFI and other long term contracts

There are no assets recognised on our Balance Sheet under private finance initiative (PFI) arrangements. This treatment has been agreed with our auditors.

Note 41: Pooled budgets with health

Section 75 of the National Health Service Act 2006 allowed joint-working arrangements between NHS organisations and local authorities. Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool will be that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

Warwickshire County Council is the host authority for the Section 75 Pooled budget arrangement via the Better Care Fund. The strategic aims of the programme are;

- People are helped to remain healthy and independent;
- People are empowered to play an active role in managing their own care and the care they receive;
- People get the right service at the right time and in the right place – which means services will envelop individuals close to their home.

An agreement for the financial year starting on 1 April 2015 has been agreed with us and the other partners in the arrangement – the three Clinical Commissioning Groups (CCG's) in Warwickshire. The agreement will be reviewed and annual contributions agreed by the Better Together Programme Board before the commencement of each financial year thereafter. As the host authority we are responsible for arranging for the formal audit of the pooled funds under Section 28(1) of the Audit Commission Act 1998. The agreement sets out the basis of the governance arrangements and reporting requirements to both the Better Together Programme Board and the Health & Wellbeing Board. The five core schemes are community resilience, integrated care, care at home, accommodation with care and long term care. In addition a further four schemes, Performance Fund, Innovation Fund, Care Act Fund and Social Care Capital Fund has pooled funds allocated to it to provide support for the programme. Part of the Care at Home element, for Integrated Community Equipment Service (ICES) is subject to its own Section 75 agreement.

The total pooled budget arrangement is £36.1 million of which £33.0 million is revenue and £3.1 million is capital funding. Of the £3.1 million capital funding, £1.2 million in Social Care Capital Grant has been paid to us by the Department of Health and £1.9 million in Disabled Facilities Grant (DFG) was paid to us by the Department for Communities and Local Government (DCLG). Of the revenue element £21.0 million has been paid to the CCG's for them to commission services and of that £3.3 million has been passed back to the authority as part of a separate S75 ICES agreement. The remaining £12.0 million revenue funding was allocated to the council for commissioning services in accordance with the agreement and we have also put in an additional contribution of £0.6 million into the pooled spending making our total pooled budget contribution of £12.6 million. The agreements are subject in the main to terms and conditions which result in overspends and underspends remaining with the relevant commissioning body.

The table below summarises the financial transactions of the pooled budgets.

2014/15 deficit £ m	Pooled budgets with health	2015/16			
		Our contribution £ m	Total pool £ m	Total spend £ m	Surplus £ m
	Better Care Fund Pooled Budget - S75				
0.7	- Integrated community-equipment service (ICES)	-1.8	-5.1	4.5	-0.6
0.0	- Better Care Fund - Revenue Non ICES	-10.8	-28.5	28.5	0.0
0.0	- Social Care Capital Grant	-1.2	-1.2	1.2	0.0
0.0	- Disabled Facilities Capital Grant	-1.9	-1.9	1.9	0.0
0.7	Total	-15.7	-36.7	36.1	-0.6

The deficit on Integrated Community-Equipment Services pool from previous years has been repaid by the CCGs (Clinical Commissioning Groups).

The surplus at the end of the year on the Integrated Community-Equipment of £0.6 million, belongs to the CCGs (Clinical Commissioning Groups).

Note 42: Coventry and Warwickshire Business Rates Pool

The Coventry and Warwickshire Business Rates Pool was created on the 1 April 2013 with seven member authorities: Warwickshire County Council, the five Borough / District Councils within Warwickshire and Coventry City Council. Warwickshire County Council is the lead authority for the pool and there is an agreed memorandum of understanding in place that determines how the Pool's resources are allocated. Under the agreement any surplus generated by the pool, will be shared between pool members. We have accounted for our share of the current surplus in the Comprehensive Income and Expenditure Account and the full pool surplus is held in our reserves until such times as it is distributed (see note 2).

Note 43: Related parties and associated parties

Central Government

Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 24. Details of the balances with central government departments are shown in notes 14 and 17. Pooled budget arrangements with the Department of Health via Clinical Commissioning Groups (CCGs) are shown in note 41.

Elected Members

Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2015/16 is shown in note 36 on page 59. During 2015/16 works and services to the value of £26.8 million were commissioned from companies in which elected members had an interest (this includes £8.0 million paid to District and Borough Councils in Warwickshire where they are also elected members). Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body,

including any made to organisations whose senior management included close members of the families of elected members. In all instances grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members Interest, open to public inspection at Shire Hall.

Senior Officers

During 2015/16 no payments were made to organisations in which senior officers or members of their families had declared an interest.

A number of senior officers and elected members represent us on the board of related companies (such as Warwick Technology Park Management Limited, Warwick Technology Park Management No 2 Limited, Warwickshire Race Equality Partnership, SCAPE System Build Limited, and University of Warwick Science Park Innovation Centre Limited). You can see registers of members' and officers' interests at Shire Hall, Warwick or at the registered office of the company in question if this is not Shire Hall, Warwick.

Other Public Bodies

At the end of the year we owed £15.3 million to other local authorities, central government and public bodies including £4.8 million to Her Majesty's Revenue and Customs, and they owed us £11.6 million including £3.8 million from Her Majesty's Revenue and Customs (VAT).

We charged the Warwickshire County Council Pension Fund £0.8 million for carrying out the administration work for the fund (not including payroll-processing costs). For more information please refer to the Pension Fund Annual Report 2015/16 which is available on our website.

Other Entities

We hold shares in the following companies:

Company	WCC Share holding	Directors
University of Warwick Science Park Innovation Centre Limited	19.9% of Ordinary Share Capital. 1/6 Voting Rights £1,502,500 preference share	One of six directors is appointed by us
Warwick Technology Park Management Company Limited	4.8% of called up share capital	One officer and one elected member as directors
Warwick Technology Park Management Company (No 2) Limited	0.2% of called up Share capital	One officer and one elected member as directors.
Eastern Shire Purchasing Organisation (ESPO)		Two elected members from each authority on Management Committee
SCAPE System Build Limited	16.7% of the called up share capital	One of the six directors is appointed by us
Coventry and Warwickshire Local Enterprise Partnership Limited	No Share Capital and liability limited to £1.	Two type 'B' (public sector) directors to be appointed by us
Coventry and Warwickshire Waste Disposal Company	1 ordinary share 1 representative on Shareholder panel with 1% voting rights and 24% voting rights for matters relating to WCC SLA agreement	No right to appoint to board of Directors. 1% proxy vote unless WCC SLA related.
UK Municipal Bond Agency Plc	120,000 fully paid B Shares of £0.01 each 180,000 ordinary shares of £0.01 each	No Directors appointed by WCC

We are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with five other local authorities. Each authority is represented on the board by two elected members. There are controls in place so that none of our elected members are involved in letting our contracts.

In 2015/16 we paid ESPO £1.6 million for goods and services (£2.0 million in 2014/15). The total amount of invoiced sales for ESPO-managed contracts in 2014/15 was £93.4 million (£95.6 million in 2013/14). Under the

terms of the partnership agreement, if ESPO stopped trading we would be liable for any net liabilities or to receive a share of the net assets based either on the average of our last three years' purchases compared to our other five partners, or a one-sixth share. We are also entitled to a share of the profits. We received £0.2 million in 2015/16 (£0.2 million in 2014/15).

The UK Municipal Bond Agency plc (previously known as The Local Capital Finance Company Limited) was set up in June 2014 with the primary aim to reduce local authority finance costs. It is a new financial institution backed by 56 Local Authority shareholders (including Warwickshire County Council) and the Local Government Association (LGA). It is an example of local government working together on a commercial basis to create an independent institution in order to deliver benefit for all. The purpose of the company is to reduce local authority financing costs by issuing bonds in the capital markets, both public and private, by facilitating more efficient lending between councils and by source funding from third party sources and on-lending to councils on a matched basis.

The Gateway Alliance is a strategic partnership of primary schools in Warwickshire. It was created to provide professional development and school to school support following the reduction of Local Authority improvement services in 2011. The company is limited by guarantee and the members have confirmed that the governing documentation of the company contains the necessary provisions which are required pursuant to The School Company Regulations 2002. Under the regulations, all school companies are required to have a local authority as a supervising authority. If all the maintained school governing bodies who are members of the school company are from the same local authority then that local authority is designated as the supervising authority for the company. As a result Warwickshire is the supervising authority for the Gateway Alliance School Company. The Council processes the payroll for the Company staff all costs of which are reimbursed in full.

West Midland Rail (WMR) Ltd, is a company limited by guarantee with a Board of Directors appointed from each of the constituent member authorities for the purpose of providing local democratic strategic guidance for the specification of the new West Midlands rail franchise being let by the Department of Transport (DfT) during 2017. The current members are

Full Members	Associate Members
West Midlands Combined Authority	Birmingham City Council
Herefordshire Council	Coventry City Council
Northamptonshire County Council	Dudley Metropolitan Borough Council
Shropshire Council	Sandwell Metropolitan Borough Council
Staffordshire County Council	Solihull Metropolitan Borough Council
Telford and Wrekin Council	Walsall Metropolitan Borough Council
Warwickshire County Council	Wolverhampton City Council
Worcestershire County Council	

We are part of the Coventry and Warwickshire Local Enterprise Partnership Limited (the LEP). This company is limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity. The LEP's four objectives are:

- To drive economic growth
- To help remove barriers to economic growth
- To help create high value jobs
- To co-ordinate local government co-operation and support

The LEP also has a role in coordinating elements of government funding for growth, for example the Growing Places Fund.

We are also a partner in a special company, Pride In Camphill Ltd – for details see Note 35 on page 59.

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2015/16.

Note 44: Trading accounts

Our trading accounts are expected to break even after taking account of charges for the assets they use to provide their services. These charges are worked out in line with the accounting rules we use when we prepare our accounts. Any surplus or loss these trading activities make is transferred to, or met from, business unit reserves.

The total income for 2015/2016 for our significant trading activities was £46.6 million (£45.8million in 2014/15) which included £33.2 million of internal income recharged to services (£33.5 million in 2014/15).

The spending in the table is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the required accounting treatment of IAS 19 pension costs (to reflect the actual costs of pensions decisions they have taken in the current year). The total value of this adjustment is £1.3 million (£0.5 million in 2014/15).

2014/15	Memo	Trading activity	2015/16				Memo
			Turnover	Spend after internal income	External income	Net expenditure	
Net Expenditure £ m	Net Expenditure before technical adjustments £ m		£ m	£ m	£ m	Net expenditure £ m	Net Expenditure before technical adjustments £ m
-0.3	-0.4	County caterers	10.9	2.6	-2.5	0.1	-0.2
-0.1	-0.1	Schools finance	1.0	0.1	-0.1	0.0	-0.1
0.1	0.0	Construction services	6.5	1.2	-1.2	0.0	0.0
-0.2	-0.2	County fleet maintenance	3.5	0.8	-0.9	-0.1	0.0
-0.1	-0.1	Design services	3.2	0.9	-0.9	0.0	-0.1
0.1	0.0	Legal services	4.2	1.3	-1.1	0.2	0.0
0.2	0.1	ICT services	4.1	1.5	-0.9	0.6	0.4
0.0	0.0	County Music Service	1.8	0.6	-0.7	-0.1	-0.1
0.0	0.0	Early intervention	1.5	0.4	-0.5	-0.1	-0.1
-0.2	-0.2	School absence (sickness scheme)	2.1	-0.4	-0.2	-0.6	-0.6
0.1	0.2	Other trading accounts (turnover of less than £1m each)	7.8	5.0	-4.4	0.6	0.5
-0.4	-0.7	Total	46.6	14.0	-13.4	0.6	-0.3

Table may not sum due to roundings

Negative figures show we have more income than our spending (surplus).

Other trading accounts with a turnover of less than £1 million and include payroll services, school governance, county print unit, archaeology, HR support, schools library service, county cleaning and the education psychology service.

The prices for these trading activities were set when they had to include in total costs the interest element for using their assets. Now that this requirement has been removed, the aim when setting budgets is not to break-even but to make a small surplus to cover what the notional interest charge would have been.

The Firefighters' Pension Fund

2014/15 £ 000's	Fund account	2015/16 £ 000's
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1,639	- normal contributions in relation to pensionable pay	-1,490
-74	- early retirements	-120
-22	- other contributions	-12
-1,196	- from members (firefighter's contributions)	-1,149
-2,931	Income to the fund	-2,771
	Spending by the fund	
	Benefits payable:	
5,429	- Pension payments	5,805
2,064	- Commutation of pensions and lump-sum retirement benefits	2,081
	Payments to and on account of leavers	
130	- Individual transfers out of the scheme to other authorities	0
7,623	Spending by the fund	7,886
4,692	Net amount payable for the year (before top-up grant receivable from Government)	5,115
-4,692	Top-up grant payable by the Government	-5,115
0	Net amount payable or receivable (-) for the year	0

31 March 2015 £ 000's	Firefighters' Pension Fund net assets statement	31 March 2016 £ 000's
	Current assets:	
771	- Top-up grant receivable from Government	0
0	- other current assets (other than assets in the future) ~ debtor	669
	Current liabilities:	
-771	- other current liabilities (other than liabilities in the future) ~ creditor	-82
0	- Top-up grant repayable to Government	-587
0	Net assets or liabilities (-) at the end of the year	0

Notes to the Firefighters' Pension Fund statements

Note 1: Fund operations

The Firefighters' Pension Scheme in England is an unfunded scheme. The employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are required to pay an employer's pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The legislation that controls its operation is the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The benefits payable are pensions to retired firefighters and/or widows/widowers of retired firefighters. The benefits paid and employee and employers contributions are administered through our human resources management system. The scheme has no investment assets.

The pension fund is balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. An

amount of 80% of the estimated grant needed each year is paid to the fund by the Government during the year. The balance is only paid once the Pensions statement has been audited by our external auditors and a claim, certified by the Head of Finance, is submitted to the Government.

Note 2: Accounting policies

The financial statements are accounted for on an accruals basis. We did not use any estimation techniques in preparing the statements.

For assets and liabilities in the net asset statement the fair value is deemed to be the carrying value as they are both due within 1 year.

Note 3: Liabilities

The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2016. Details of the long term pension obligations, employees and employers contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters Pension Fund are found in note 39 to the accounts on pages 64 to 74.

Note 4: Contribution levels

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Department for Communities and Local Government and are subject to triennial revaluation by the Actuary.

Note 5: AVC's and added years

Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

Note 6: Debtors and creditors

The debtors and creditors for both years are amounts due to/from central government (balance of grant due to balance the account to nil). Other debtors and creditors for both years are the amounts due to or from Warwickshire County Council, the administering authority or tax not yet paid to HMRC. This year as we have had more grant on account from the DCLG than we have needed, we owe them some back. As the Fire-fighters' Pension Fund does not have its own separate bank account this excess cash has been held within the County fund and is therefore owed to the Fire-fighters' Pension Fund by Warwickshire County Council. All amounts are due within 1 year.

Glossary

This section explains some of the more complicated terms that have been used in this document.

Accruals

Cost of goods and services received in the year but not yet paid for.

Actuarial gain (loss)

For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.

Acquisition costs

The cost of buying shares including brokers' commission and stamp duty.

Amortisation

The drop in value of intangible assets as they become out of date.

Asset

An item which is intended to be used for several years such as a building or a vehicle.

Benefits we have awarded for added years

When a member of staff retires early because they are made redundant, we can give added years of scheme membership. We meet the costs of giving these added years, usually from the savings that will be made.

Billing authority

The local authority which collects the Council Tax. In Warwickshire, the district or borough council is the billing authority.

Budget

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of council tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are shared between local authorities partly on the basis of need and partly on the increased business rates generated locally. The amount each business is charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital fund

Money made available in an earlier year to meet the cost of spending on assets.

Capital Adjustment Account

This account includes the value of capital charges to the Comprehensive Income and Expenditure Statement that do not directly affect the level of council tax.

Capital instruments

Capital instruments are shares or debentures (a type of long-term loan) that are issued to raise finance.

Capital programme

Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

Capital receipts

Income from selling assets that have a long-term value.

Capital spending

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as computers or vehicles. These items are then capitalised.

Capitalised

Assets that are capitalised are added to the balance sheet.

Capital spending met from revenue

Paying for capital spending direct from revenue.

Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

CIPFA

Chartered Institute of Public Finance and Accountancy

Commutation/commutating

This is where a member of the pension scheme gives up part or their entire pension in return for an immediate lump-sum payment. It is also called a cash option.

Contingent asset

A possible asset which may arise pending decisions that are not under our control.

Contingent liability

A possible liability which may arise when we know the outcome of outstanding claims made against us.

Corporate and democratic core costs

Spending relating to the need to co-ordinate and account for the many services we provide to the public.

Council tax

A tax based on property. There are eight bands of property values. The amount you pay will depend on which band your property is in. You can get a reduction for empty properties or if you live on your own. In Warwickshire, the district or borough councils issue council tax bills and collect the council tax.

Creditors

People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

Current assets

Short-term assets which constantly change in value such as stocks, debtors and bank balances.

Current liabilities

Short-term liabilities which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Current service cost

Officers employed during the year will have earned one more year of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

Curtailed costs

Curtailed costs arise when many employees transfer out of the scheme at the same time, such as when an organisation transfers its members to another scheme.

Debtors

People who owe us money that is not paid by the end of the financial year.

Depreciation

The drop in the value of assets, for example, through wear and tear, age and becoming out of date.

Disclosure

Information we must show in the accounts under the CIPFA code of practice.

Earmarked reserves

Money set aside for a specific purpose.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

General reserves

Money set aside to be used in the future.

Government grants

Payment by the Government towards the cost of local-authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant or un-ring-fenced grants).

Gross spending

The cost of providing our services before allowing for government grants or other income.

International Financial Reporting Standard (IFRS)

Standards on the way we need to treat certain items in our accounts.

Liabilities

Money we will have to pay to people or organisations in the future.

Material related-party transactions

Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By 'material' we mean of 'significant value'.

Minimum revenue provision (MRP)

The amount we have to set aside to repay loans.

Net asset value

The total value of an organisation's assets, less its liabilities and capital charges.

Net book value

The value of an asset after depreciation.

Net interest cost

All members of the scheme are one year older. The net interest cost is the increase in the value of liabilities that arises because the liabilities are one year closer to being paid.

Net spending

The cost of providing a service after allowing for specific grants and other income (not including Council Tax and money from the Government).

Non-distributed costs

Past service pension costs, including settlements and curtailments, which are not to be included in total individual service costs.

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

When we lease goods using this type of lease, ownership of the goods and any profits or losses remain with the company (the lessor) leasing the goods to us.

Overheads

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

Past service costs

The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

Pensions interest cost and expected return on assets

All members of the scheme are one year older. The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Precept

The amount we (the precepting authority) ask the district and borough councils to collect every year for us to meet our spending.

Provisions

Money set aside to meet specific service liabilities, and to meet spending.

PWLB

The Public Works Loan Board is a government agency which provides long-term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

Recharges

Charges for services that we have provided.

Reconciliation

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

Regeneration

Breathing new life into the local economy.

Reimbursements

Payments we receive for work we do for other public organisations, for example, the Government.

Reserves and funds

Savings we have built up from surpluses.

Restated

This is where we have changed figures that have been published in the past to show the correct ones.

Return on assets

The return on assets is the value of the return we expect to achieve on the fund's investments in the long term.

Revaluation Reserve

This account contains the difference between the amount we paid for our assets and the amount that they are currently worth.

Revenue spending

Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from council tax, government grants, fees and charges.

Revenue expenditure funded by capital under statute (REFCUS)

Spending on assets that have a lasting value, for example, land and buildings, which we do not own.

Revenue Support Grant

The main government grant to support local-authority services.

Reversed out

An item of income or expenditure is taken back out.

Settlement costs

Settlement costs arise when we make a lump-sum payment to a scheme member in exchange for their rights to receive certain pension benefits.

Soft loans

Loans made at less than the market rate of interest.

Specific grants

Payments from the Government to cover local-authority spending on a particular service or project (for example, schools' grants).

Stock and stores (Inventories)

Goods bought which have not been used.

Surplus

The remainder after taking away all expenses from income.

Unrealised

A change in the market value which does not actually take place until the asset is sold.

Unquoted securities

A security that is not traded on the stock market, usually because it is unable to meet the listing conditions.

Audit and Standards Committee

8 September 2016

Annual Governance Statement 2015/2016

Recommendation

That the Committee endorses the Annual Governance Statement for 2015/16 prior to submission to Cabinet and Council.

1.0 Key Issues

- 1.1 The Accounts and Audit Regulations 2015 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).
- 1.2 The results of the review and resulting AGS was considered at the June meeting of the Committee in order that a proposed AGS could be made available to the external auditors. The draft statement was endorsed by the committee, subject to clarification of the wording around the frequency of community forum meetings, the arrangements for recording cases of whistleblowing and to include the Armed Services Covenant. Feedback from external auditors has been positive.
- 1.3 The Committee is asked to confirm that the proposed AGS (**Appendix 1**) continues to be appropriate taking into account the results of the external audit and the content of the Authority's accounts which are also on the agenda for this meeting. The changes requested by this Committee at its meeting in June are highlighted using tracked changes.
- 1.4 Following consideration by the Committee the AGS will be submitted to Cabinet on 8 September (outcomes arising from this meeting will be reported verbally) and to Council on 22 September.

Background papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: None

Annual Governance Statement

Year ended 31 March 2016



*Working for
Warwickshire*

Annual Governance Statement 2015/2016

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Annual Governance Statement 2015/2016

1. What are we responsible for?

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. You can obtain a copy of the Code from Democratic Services. Further information is on our website: <http://www.warwickshire.gov.uk/corporategovernance>

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

2. The aim of the governance framework

The governance framework is basically the systems and processes, and the culture and values, by which we are controlled and how we account to, engage with and lead the community. The framework allows us to monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.



The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives, so it can only offer reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on continuing processes designed to:

- identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

The framework underpins our Code and set out the commitments we have made about the way that we work. The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

3 The Governance framework

Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens, service users and communities

Our core purpose is to 'develop and sustain a society that looks after its most vulnerable members, delivers appropriate, quality services at the right time, and seeks opportunities for economic growth and innovation'. This provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period 2014-18. The One Organisational Plan was approved by Council on 25th February 2014 and the business outcomes that support the delivery of the core purpose were agreed by Cabinet in March 2014. <http://www.warwickshire.gov.uk/businessplan>

During its original development the One Organisational Plan was informed by an extensive programme of consultation which was reported to Cabinet in December 2013. This included 'Let's talk' roadshows across the county and the use of MORI 'You Choose' budget simulation software to help gather the views of the local community to help shape the medium term financial plan for 2014-18. Let's talk Roadshows were again held during November 2015 to engage with residents on council services and to feedback how their views have influenced the way the council does things and how it is spending taxpayers' money. The One Organisation Plan has been communicated to citizens through a range of media including dedicated pages on our website and social media. <http://oop.warwickshire.gov.uk/>

The Warwickshire Observatory provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities of Warwickshire. The key messages identified in the analysis aid the decision making and priority setting processes; providing the context for our business planning and the evidence base for our policy development. Further information on work undertaken and reports published by the Observatory can be found on their website: <http://www.warwickshireobservatory.org/>

Reviewing the authority's vision and its implications for the authority's governance arrangements

We have a Code of Corporate Governance in place which identifies our commitment to corporate governance and supports our Vision and Aims and Ambitions. The Code underlines the critical role governance has in the delivery of objectives, stating that 'good governance is essential for the Authority to improve the quality of its services and has a significant impact on the public's level of trust in the services that the Authority delivers'. The Code was revised in 2007/08 to reflect new CIPFA/SOLACE guidance and most recently updated again in 2012. The CIPFA / SOLACE guidance will be updated during 2016 and we are committed to reviewing our local code in line with ongoing guidance. Further information on The Code can be found on our website: <http://www.warwickshire.gov.uk/corporategovernance>

Translating the vision into objectives for the authority and its partnerships

Our core purpose provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period. The One Organisational Plan fully integrates the corporate and financial planning processes and pulls together the key elements of a number of different existing corporate plans and documents to provide the focus for the delivery of our core purpose and key outcomes. <http://www.warwickshire.gov.uk/strategicdirection>

- The One Organisational Plan outlines our core purpose and the key outcomes we want to achieve for Warwickshire by 2018. <http://www.warwickshire.gov.uk/businessplan>
- The Medium Term Financial Plan supports the One Organisational Plan by setting out how we intend to use and raise the resources needed to deliver our services and priorities over the medium term. The 2016/17 Budget and a refresh of the Medium Term Financial Plan for the last two years of the plan up to 2018 were approved by the County Council on 4th February 2016. Further approval was provided by the County Council on 23rd February 2016 to incorporate transitional grant funding for 2016/17.

Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and that they represent the best use of resources and value for money

The performance monitoring and reporting arrangements for the One Organisational Plan were approved by Cabinet in June 2014 and includes the following mechanisms:

- Progress against the One Organisational Plan and the delivery of the savings is reported formally to Cabinet on a quarterly basis followed by Overview & Scrutiny. This information is also available electronically via the Member Dashboard.
- A management information dashboard is in place which provides real time HR, finance and performance data to Strategic Directors, Heads of Service and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently, making key indicators easier to monitor.
- Each Group has arrangements in place for reporting performance to its Group Leadership Team (GLT).

- A high level review of project and programme bodies was undertaken in 2015 to streamline activity and a number of project governance principles were developed and rolled out across the Council.
- Phase 1 of the Project Hub, a new on-line system for monitoring and reporting progress with projects and programmes was launched at the end of March 2016. The Project Hub will increase visibility and transparency of projects and programmes delivered by all Groups across the Council, and will help to focus resources where they are needed most and will have the biggest impact.

We publish information each year which outlines how we spend Council Tax income. This information is available for the current and previous financial years and can be viewed on our website: <http://www.warwickshire.gov.uk/counciltaxspending>

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

Elected members are collectively responsible for the governance of the Council. Decision making and scrutiny of member decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, and committees are defined in the Constitution

The roles and responsibilities of senior officers, delegation of statutory powers and executive functions, and Protocols on member / officer relations are defined and documented within our Constitution which can be found on our website: <http://www.warwickshire.gov.uk/constitution>.

Ensuring effective management of change and transformation

The One Organisational Plan sets the high level desired outcomes and is supported by projects and service plans. It provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes at strategic, group and business unit levels. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the delivery of the outcomes set out in the One Organisational Plan as well as the key business outcomes that support and underpin it.

The One Organisational Plan is aligned to the medium term financial plan to ensure a joined up approach to delivering the organisational plan outcomes and the agreed 4 year savings plan. These are both monitored and reported to Members on a quarterly basis. They are also reviewed as part of the annual budget setting process to identify future service and budgetary requirements and to respond to further requirements for change.

The Workforce Strategy 2014-18 outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans

developed at Group and business unit level. This ensures that Warwickshire has a fit for purpose workforce and staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan.

The Customer and Transformation Board, chaired by the Strategic Director, Resources and includes all Strategic Directors, have oversight of organisational change and transformation activity across the Council. Its responsibilities include:

- delivery of the Customer Services Strategy; to develop 'One Front Door' for the Council and to develop and deliver improved Customer Journeys for the people of Warwickshire;
- ensuring that the Council maintains an organisation wide view on the health of transformation activity and to provide additional insight into progress where appropriate;
- ensuring that key strategies related to One Organisational Plan outcomes (and specifically outcomes related to resources and services) are delivered across all areas of the Council; and
- oversight of and challenging value for money, return on investment and benefits realisation.

Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* and, where they do not, explain why and how they deliver the same impact

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. They include the following:

- The Head of Finance fulfils the role of Chief Finance Officer. He is actively involved in the financial implications of all material business decisions, leads on promoting good financial management, is professionally qualified and suitably experienced and leads and directs a finance function fit for purpose.
- He is entitled to attend at and offer advice to meetings of the Corporate Board and Cabinet/Corporate Board in relation to any item which he considers raises financial issues.
- Within the Financial Regulations of the Authority he has the responsibility to advise Strategic Directors as necessary on financial arrangements and has access to all documents concerned with finance.

Ensuring the authority's assurance arrangements conform with the governance arrangements of the *CIPFA Statement on the Role of Head of Internal Audit* and, where they do not, explain why and how they deliver the same impact

The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Resources. A programme of risk based audits is carried out by the Risk and Assurance Service. A summary of audit work is reported to the Audit and Standards Committee which has responsibility for oversight of probity and audit issues and meets four times a year.

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Head of Internal

Audit. In particular the Chief Risk and Assurance Manager is designated as the Head of Internal Audit. He has regular formal meetings with the Strategic Director for Resources, Head of Finance and Head of Law and Governance and does not take any part in any audit of risk management or insurance. A self-assessment against the Public Sector Internal Audit Standards (PSIAS) has been completed and compliance will be confirmed by an external assessment in due course. More information can be found on our website: <http://www.warwickshire.gov.uk/audit>

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Strategic Director for Resources fulfils the responsibilities of the Monitoring Officer. The Strategic Director has arrangements in place to ensure that all reports to member bodies are checked by qualified lawyers within the Authority and to ensure compliance with legislation, corporate policies and procedures. All decision making member bodies are supported by a legal advisor who attends meetings. In addition, the Strategic Director receives regular updates from senior lawyers in the Authority highlighting if there are any:

- potential breaches of law or other council regulations (such as Contract Standing Orders) and legal challenges;
- cases which give rise to questions as to the Council's power to take action;
- proposals to act contrary to corporate policy or legal advice; or
- any new legislative provisions which might affect areas of work carried out by the Authority.

The Strategic Director has responsibility for reviewing and investigating complaints about elected member conduct (including co-opted members).

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service and fulfils the responsibilities of the role. The functions of the Chief Executive and group structures that have been put in place are contained within the Constitution which can be found on our website: <http://www.warwickshire.gov.uk/constitution>

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*

The Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference is contained within the Constitution which can be found on our website: <http://www.warwickshire.gov.uk/constitution>

Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

The constitution outlines roles and responsibilities for Cabinet to approve the formation of partnerships with other public, private, voluntary and community

organisations. The Leader of the Council has overall responsibility to act as the lead representative of the council on sub-regional partnerships and to make associated commitments on behalf of the council provided those commitments fall within the budget and policy framework of the council: <http://www.warwickshire.gov.uk/constitution>

We have a partnership governance toolkit which helps the Council and other agencies involved in partnership working identify the key governance issues that need to be addressed when considering new partnership arrangements or running existing partnerships. The toolkit contains a number of tools designed to help build a partnership framework. This includes partnership objectives, structures, governance arrangements (including conduct, performance, financial and risk management arrangements, customer engagement protocols and exit strategies. We are committed to reviewing the toolkit during 2016/17.

Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Our Corporate Governance Framework is supported by a programme of governance training for officers and a range of internal audits. Online governance training for all staff was introduced during 2014.

The expectations for the behaviour of elected and co-opted members are published in the Member's Code of Conduct contained within the Constitution. This was revised and adopted by full Council in July 2012 to take into account changes arising from the Localism Act 2011. Standards of behaviour for staff are defined in the Officers Code of Conduct contained within the Constitution found on our website: <http://www.warwickshire.gov.uk/constitution>

New members of staff are made aware of codes of conduct as part of their induction. Staff codes of conduct are available through the HR pages on our website: <http://www.warwickshire.gov.uk/conduct>

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

We have a good record in preventing and identifying fraud but cannot afford to be complacent. We have an Anti-Fraud and Bribery Policy and Strategy outlining our commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds. This was reviewed during 2012 to incorporate changes in best practice and legislation, including the Bribery Act 2010. These documents were reviewed and approved by the Audit and Standards Committee and Cabinet in December 2012 and published on our website: <http://www.warwickshire.gov.uk/antifraud>

We participate in the National fraud Initiative and counter-fraud activities take place throughout the year including articles published on the intranet to raise

fraud awareness: <https://www.warwickshire.gov.uk/nfi>

We are working alongside other local authorities in Warwickshire to establish a Counter-Fraud Partnership to deter and detect fraud: <http://www.warwickshire.gov.uk/fraud>

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Key roles in relation to ensuring compliance with policies, procedures, laws and regulations are performed by the Strategic Director for Resources, Head of Finance and the Head of Law and Governance.

Financial Regulations were approved by full Council on 26th September 2013 and are supported by a suite of financial rules available to staff on the internal intranet. <http://www.warwickshire.gov.uk/financialregulations>

A structured approach to contract management is set out in Contract Standing Orders (CSOs). These provide guidance on managing our finances, ensuring compliance with legislation and best value is considered in all purchasing activities. The current set of Contract Standing Orders was approved by full Council in September 2013 and is contained within the Constitution: <http://www.warwickshire.gov.uk/constitution>

In 2014/15 we commissioned three Peer Challenges, which provided an external, impartial, peer-led perspective on how we operate in a number of areas. Following the completion of the reviews we have collated the recommendations and developed a single Integrated Peer Challenge Action Plan which was presented to Cabinet in July 2015. Quarterly progress updates on the delivery of the plan is reported to Cabinet and to the Resources and Fire & Rescue Overview and Scrutiny Committee to demonstrate progress against the organisation-wide recommendations. <http://www.warwickshire.gov.uk/our-performance/overall-performance/peer-review-integrated-action-plan-2015>

Whistleblowing, and receiving and investigating complaints from the public

The Whistleblowing Policy outlines procedures for staff members wishing to raise a concern, the response they can expect from the Authority and the officers responsible for maintaining and operating the code (which is essentially all managers). The Strategic Director for Resources has overall responsibility for the maintenance and operation of this policy. Confidential registers of concerns raised and the subsequent outcome of investigations are held by the Risk and Assurance Service for fraud related complaints and by Human Resources and Occupational Development for all other whistleblowing complaints received. We are committed to reviewing these arrangements during 2016/17 with a particular focus on establishing a central register to record all whistle blowing. Details of whistleblowing arrangements have been published on our website: <http://www.warwickshire.gov.uk/conduct>

Complaints from members of the public are addressed according to the 'Corporate Complaints Procedure' ('making sure positive or negative customer feedback is valued and used to improve services') and managed corporately by the Customer Service business unit. Extensive guidance is available to staff through our intranet site, to the public on our website and through written publications: <http://www.warwickshire.gov.uk/complaints>

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Constitution sets out how the Council operates, how decisions are made, who makes decisions, how citizens, businesses and other organisations can participate, and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet members, Committees and Officers are specified. <http://www.warwickshire.gov.uk/constitution>

A review of the Council's governance arrangements has been undertaken by the Leaders Liaison Group which had a particular focus on decision making, overview and scrutiny, and member engagement at local and strategic level. Recommendations arising from the review and proposed amendments to the Constitution were reported to and approved by Council on 24th September 2015. A further update was made to the Constitution in March 2016 to reflect changes to the treasury management role of the Head of Finance as documented in the Treasury Management Strategy for 2016/17. This was approved by Council on 22nd March 2016.

We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website. Where a report is considered in private, the reason for that is set out in the description of the decision: <https://democratic.warwickshire.gov.uk/cm5/>

The Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution. Our governance arrangements will be kept under review in the coming year, with a particular focus on ensuring effective scrutiny. <http://www.warwickshire.gov.uk/scrutiny>

In compliance with the Freedom of Information Act 2000 we have procedures in place that outline the arrangements for members of the public requesting access to information: <http://www.warwickshire.gov.uk/foi>

We have adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000 and the Local Government Transparency Code 2015. The publication scheme guide is available on our website: <http://www.warwickshire.gov.uk/publicationschemeguide>

Information security is a key issue for us. A robust process for investigating data losses is in place and the Authority continues to protect the data of its staff, customers and business activities and ensure that it is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we have introduced mandatory training and required staff to formally accept their responsibilities. <http://www.warwickshire.gov.uk/informationsecurity>

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to our ability to deliver public services and as a custodian of public funds. Our approach to managing risk is explained in the Risk Management Strategy which has been approved by Cabinet and is available on our website: <http://www.warwickshire.gov.uk/riskmanagementstrategy>.

Core Principle 5: Developing the capacity and capability of members and officers to be effective

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The development and training of elected members is managed by the Law & Governance Business Unit. At the beginning of their term of office, each elected member undergoes an induction programme which includes corporate governance training. A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues. Democratic Services maintain a database of the training received by and planned for members.

The Workforce Strategy 2014-18 outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. This ensures that Warwickshire has a fit for purpose workforce and staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan.

We recognise that we have a diverse workforce and have staff networks for disabled staff, staff who identify as lesbian, gay, bisexual and trans (LGBT), religion and belief, members of staff who consider themselves to be from an Ethnic Minority community, and parents. The networks work towards equal opportunities in terms of improving policies, procedures, practices, recruitment, retention career development and support. Further information on staff networks can be viewed at <http://www.warwickshire.gov.uk/staffnetworks>

The Working for Warwickshire competency framework details the knowledge, skills, and qualities we need from our staff. This was made available to all staff from April 2014. As part of this framework a self-assessment tool has been developed which all managers across the organisation use when reviewing performance and agreeing development needs as part of their appraisals and 1:1 sessions. <http://www.warwickshire.gov.uk/w4w>

The corporate staff appraisal process applies to staff across the organisation and is used as a tool to identify individual objectives and development needs. The process is cascaded down through all tiers of staffing to ensure the objectives of the Authority run through the appraisals of all staff. <http://www.warwickshire.gov.uk/corporateappraisal>

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

We undertake consultation on a wide range of topics to help us engage with the public to inform decision making and to assess the quality of services we provide. Our Consultation and Engagement Framework provides staff with guidance and tools for planning and conducting consultation activities. As part of our approach to consultation the Ask Warwickshire website is a portal for consultation exercises taking place within Warwickshire. We use a variety of methods to undertake consultation including public meetings, public and staff roadshows, strategic meetings with partners and online consultation surveys. This enables us to engage with a greater number of citizens on a wide range of consultation topics and to provide results of completed consultation activities: <http://askwarks.wordpress.com/>

During its original development the One Organisational Plan was informed by an extensive programme of consultation which was reported to Cabinet in December 2013. This included 'Let's talk' roadshows across the county and the use of MORI 'You Choose' budget simulation software to help gather the views of the local community to help shape the medium term financial plan for 2014-18. Let's talk Roadshows were again held during November 2015 to engage with residents on council services and to feedback how their views have influenced the way the council does things and how it is spending taxpayers' money.

The One Organisational Plan Delivery Group brings together a number of officers from both support functions and services across the organisation and at each meeting updates are given on current and upcoming consultations by officers involved (Legal, Warwickshire Observatory, Communications and Corporate Project Delivery). This allows further support to be given where appropriate, interdependencies to be identified and lessons to be learnt in a timely manner.

A Public Engagement in Overview and Scrutiny Toolkit has been developed to support Members with engaging and involving the public in scrutiny activity. The Toolkit was approved by the Corporate Services Overview and Scrutiny Committee in October 2013: <http://warksdemocracy.wordpress.com/2013/10/28/greater-public-involvement-in-overview-and-scrutiny/>

The Council's vision cannot be realised without recognising the diversity which exists in our customer base, our workforce and the wider Warwickshire community. We have adopted the Equality Framework for Local Government as a tool to integrate equality and diversity into everything it does from policy development to service planning and delivery. This ensures that Equality and Diversity is an integral part of consultation and Equality Impact Assessments are used as a tool to identify the potential impact of strategies, policies, services and functions on customers and staff: <http://www.warwickshire.gov.uk/staffequalityanddiversity>

The Petitions Scheme enables citizens to raise and formally present petitions to members and committees. Petitions can be submitted by post or online: <http://www.warwickshire.gov.uk/petitions>

We operate a network of thirty Community Forums across the county, which are run in partnership with the District/Borough Councils, Warwickshire Police,

and Health Service and provide the opportunity for the public to engage with Councillors and public service providers about their concerns and priorities. Agendas and minutes of community forum meetings are available on our website: <http://www.warwickshire.gov.uk/communityforums>

We have commissioned Healthwatch Warwickshire to undertake an independent role in the provision of information on local health and social care services to the public and also to enable public engagement with health providers. Healthwatch launched in April 2013 and a Memorandum of Understanding is in place setting out the framework for the working relationship between Warwickshire Health and Wellbeing Board, Healthwatch Warwickshire, Children and Young People Overview & Scrutiny Committee and Adult Social Care and Health Overview & Scrutiny Committee. During 2015 the Memorandum of Understanding was reviewed, updated and signed by Chairs of each body. <http://www.healthwatchwarwickshire.co.uk/>

During 2015 we launched an Employee Engagement Strategy which outlines how we will improve the engagement of our employees This includes ensuring employees have a voice, managers and leaders are focusing, coaching and stretching their people and there is clear communication about where our authority is going. This is supported by the annual staff survey and pulse surveys which measure progress against actions or views on topical issues. This enables us to target hotspots and measure engagement on a more regular basis. <https://www.warwickshire.gov.uk/employeeengagement>

The Armed Forces Community Covenant for Coventry, Solihull and Warwickshire (CSW) was signed off in June 2012 by Warwickshire County Council, its constituent District and Borough Councils, Coventry City Council and Solihull Metropolitan Borough Council, representatives of the charitable and voluntary Sector, the civilian community and the military community across the CSW sub-region. The Community Covenant for Coventry, Solihull and Warwickshire reflects the promise from the nation that those who serve or who have served in the Armed Forces, and their families, are treated fairly and are not disadvantaged in their day-to-day lives. This includes offering injured servicemen and women and bereaved families extra support where appropriate. <http://www.warwickshire.gov.uk/armedforcescommunitycovenant>

Enhancing the accountability for service delivery and effectiveness of other public service providers

We actively contribute to partnerships including the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and collaborate with partners to promote good governance and delivery of outcomes. We are members of a number of sub-regional partnerships and groups which have member and / or officer representation. Each partnership has its own governance arrangements in place. <http://www.warwickshire.gov.uk/partnerships>

The Police Reform and Social Responsibility Act 2011 established the arrangements for Police and Crime Commissioners (PCCs) and for Police and Crime Panels. The Police and Crime Panel is a joint committee of the County Council and the five district and borough councils. The Panel's role is to scrutinise the decisions and actions of the PCC but in a way that supports the effective exercise of the functions of the PCC. <http://www.warwickshire.gov.uk/policeandcrimepanel>

Governance arrangements are in place for scrutinising health services. The Health and Wellbeing Board is an executive function that has statutory responsibility for developing joint health and wellbeing strategies. It brings together colleagues from the county council, district and borough councils, and the NHS to provide leadership and direction for the health and social care economy in the county. Governance arrangements were reviewed during 2015 and were approved by the Board at its meeting in July 2015 <http://hwb.warwickshire.gov.uk/>

4. Review of effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, Internal Audit and chaired by the Head of Law and Governance. In carrying out their review, the evaluation panel:

- considered the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- considered the approach of the Authority to identifying principal risks to the achievement of those obligations and objectives;
- identified the key control frameworks that the Authority has in place to manage its principal risks;
- obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection; and
- evaluated the assurances provided and identified gaps.

The evaluation panel scrutinised the strategic risk register prepared by executive managers and approved by Corporate Board. In addition Heads of Service have confirmed that they have complied with the risk management framework throughout the year. Consideration was also given to the results of reviews carried out by external agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Strategic Director of Resources (Monitoring Officer) and the Head of Finance (Section 151 Officer) before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have been reviewed throughout 2015/16 in a number of ways including:

- A review of the Council's governance arrangements undertaken by the Leaders Liaison Group. Recommendations arising from the review and proposed amendments to the Constitution were reported to and approved by Council on 24th September 2015;
- scrutiny reviews undertaken by task and finish groups commissioned by Overview and Scrutiny Committees; and
- risk based reviews by Internal Audit.

The results of the Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews feed into the overall Internal Audit Annual Report. This report concludes that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

5. Governance issues

We have been advised on the implications of the result of the review of effectiveness of the governance framework by Cabinet and the Audit and Standards Committee. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We have not experienced any significant governance failures during the last year. However the following have been identified as major challenges for the Authority going forward, each carrying significant risks for the County Council. The governance challenges recorded in this statement are reflected in the organisation's Strategic Risk Register and have accompanying actions. The Risk Register highlights the actions taken and successes achieved in addressing the challenges of the past 12 months. A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by service business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness. The table below summarises the risks contained in the Strategic Risk Register.

Governance Challenges for 2016/17 and beyond

Government policies, new legislation and sustained austerity measures present immediate challenges and further significant imposed savings over the medium term.

The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation presenting significant challenges to us. Statements from the Treasury continue to reiterate that the period of austerity for public services will continue for some years and we need to maintain a watching brief of government statements to identify potential policies which may have a significant impact for local government.

In addition to savings of £92m that we have identified and committed to making for the period 2014-18 changes to how the Government distributes Revenue Support Grant means that further savings of £14.2 million need to be made by the end of 2017/18. The impact of this has been softened by the provision of £3m transitional funding in 2016/17 and 2017/18, but with the Government issuing indicative grant figures through to 2019/20, overall savings of £60m need to be made. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. The savings and transformation plans that are being put in place are challenging and will result in a significant impact on services that we provide to the public. The major focus for us in the coming year is to:

- Refresh the One Organisational Plan for the period 2017–2020 in response to changes to the local government settlement and taking into account the diverse requirements of communities.
- Ensure that there is effective and appropriate consultation and communication of change to all customers, stakeholders and staff.
- As part of the transformation programme, continue to provide clarity about our priorities based on an analysis of need and budget plans.
- Manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector.
- Continue to monitor the implementation of savings plans and ensure that budgets are managed in a clear and prudent manner.
- Ensure that good governance, sound project and partnership management and standards of control are in place and adhered to during the transformation process to ensure that risks are managed and we achieve the best outcomes.

Governance Challenges for 2016/17 and beyond

Impact of devolution, Public Sector reform agenda, national and local policy direction for Warwickshire on service delivery.

The growing devolution agenda and national policy is influencing our strategic thinking in how we deliver services including blue light services, adult social care, academies and children's services. We have a Customer and Transformation Board, chaired by the Strategic Director, Resources and include all Strategic Directors, which has oversight of organisational change and transformation activity across the Council.

In addition at a wider, regional level the West Midlands Combined Authority (WMCA) will have devolved powers from Central Government over transport, economic development and regeneration. Warwickshire has agreed to join as a non-constituent member which will enable us to participate in future negotiations over devolution deals that WMCA seeks with Central Government.

We will continue to monitor and respond to government proposals arising from the Government White Paper 'Educational Excellence Everywhere' and a report will be presented in due course to Cabinet outlining how a sustainable financial future for support for schools and pupil related services can be delivered.

These developments have the potential for fragmentation of public service delivery and result in a lack of clarity over overall direction, governance and accountability. We will continue to explore and engage in the debate around the implication of national policy direction on local public service delivery and what it may mean for Warwickshire.

Continuing pressure on Adult Social Services and Health

There continue to be a number of pressures that have a fundamental impact on the funding and provision of adult social care services in Warwickshire. Inflation and demographic pressures, combined with the impact of the national living wage, means that demand and costs for providing adult social care continue to rise. In addition market pressures on providers increases the risk that they either leave the market or that services provided fail to meet minimum statutory requirements.

The Government has introduced the Better Care Fund which aims to encourage Local Government and the NHS to work closely together to help local areas plan and implement seamless health and social care services across England in line with the vision outlined in the NHS Five Year Forward View. This is funded through a local single pooled budget. We are working with partners in the NHS looking at how we combine and use our resources to work more closely together to help people get the support they need in the right place and at the right time. This programme of work is known locally as 'Warwickshire Cares: Better Together'.

During the next year we will continue to shape and commission our services and will have a focus on the following:

- A review of the "customer journey" for child and adult services which will review services from the customer perspective and improve processes with the customer in mind

Governance Challenges for 2016/17 and beyond

- introduce a new approach for contract management allowing us to manage the market and spending in high risk areas
- continue to progress our approach to commissioning and improve our approach to managing contractor performance and reducing the risk of market failures
- review the assessment model for Social Care and Support customers to identify how assessments can be most effectively delivered in future
- model in detail the impact of the national living wage on expenditure and understand the impact on budgets

Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death

In light of high profile safeguarding cases at a national level, we cannot be complacent about protecting children and vulnerable adults from harm and providing appropriate services for children in need. Responding to ever increasing levels of referrals against the backdrop of financial austerity will require careful judgements to be made both in terms of managing our exposure to risk and the associated increase in costs.

We have established a Multi-Agency Safeguarding Hub (MASH) in partnership with Warwickshire Police, National Health Service (NHS) and other key partner agencies. This allows us to work more closely with our partners to provide a more co-ordinated and consistent response to safeguarding concerns about children, young people and adults. Services for children have become fully operational and we are working to integrate support for adults by September 2016.

Failure to maintain the security of personal or protected data held by the Council

Information security is a key issue for all public sector organisations in the light of well publicised data losses and cyber security incidents affecting many public bodies. A robust process for investigating incidents is in place and we continue to protect our systems and data of our staff and customers. We ensure that data is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we have required staff to undertake e-learning and formally accept their responsibilities.

Data loss and network integrity remains an inherent risk for the Authority and we continue to place emphasis on improving awareness and practices in relation to information security and strengthening the security infrastructure of our networks. We will continue to review and develop our cyber security arrangements during the course of the next year.

The ability to secure economic growth in Warwickshire

We are a member of The Coventry and Warwickshire Local Enterprise Partnership (CWLEP) which is a key driver for creating a successful, thriving

Governance Challenges for 2016/17 and beyond

economy within Coventry and Warwickshire. CWLEP has secured further funding from the Governments Local Growth Fund for a number of projects that we are responsible for which will provide investment in:

- New transport infrastructure which will improve connections with other cities and towns and tackle congestion on the area's roads.
- Driving innovation in advanced manufacturing and engineering through the provision of new R&D and business support facilities.
- Supporting businesses to flourish through the provision of effective business advice and support.
- Growing local skills and talent through investment in Further Education Colleges.

Over the next year we will contribute to the review of CWLEP's Strategic Economic Plan, implement projects under the Local Growth Fund that we are responsible for delivering and also identify any potential projects where funding can be sought from the European Structural and Investment Fund to ensure that Warwickshire continues to benefit from investment contributing to economic growth.

At a wider, regional level the West Midlands Combined Authority (WMCA) is being established with the challenge to create jobs, enhance skills, develop prosperity and drive economic growth. The Combined Authority currently will have devolved powers from Central Government over transport, economic development and regeneration and will allow individual councils to collate resources to work together. In addition the current WMCA devolution deal proposes a number of areas for further exploration in which we have an interest including the Midlands Engine project to secure wider transport investment and growth.

The Council has agreed to join WMCA as a non-constituent member with a view to negotiating the basis of an acceptable deal on which Warwickshire could become a constituent member. We will continue to contribute to discussions in relation to the Combined Authority and a further report will be presented to Council to determine whether or not the Council wishes to seek constituent membership.

Inability to keep our communities safe from harm.

There are many challenges on the horizon nationally and locally for the services that we provide that keep our communities safe, particularly in child and adult safeguarding, the Fire and Rescue Service and highways maintenance, and we recognise that we need to become even more flexible if we are to meet our current and emerging challenges over the next four years. We are conscious that we need to achieve this during a period of austerity where we will be operating with a significantly reduced budget.

Child and adult safeguarding including the development of the MASH is addressed earlier in the section.

Warwickshire County Council is a Category One Responder as outlined in the Civil Contingencies Act 2004 and we have a statutory duty to have business continuity plans which ensure that critical services can continue in the event of an emergency or disruption and to fully recover all services as soon as possible. We have business continuity plans in place which have links to the Emergency Plan to allow us to respond to increased demand for services and

Governance Challenges for 2016/17 and beyond

ensure continuity in the delivery of critical services to the community during a civil emergency.

During the course of the next year we will have a focus on the following areas:

- Complete a review of countywide operational fire cover
- Develop a 2017-20 Integrated Risk Management Plan for the Fire Service
- Continue to review and test our business continuity and emergency plans.

6. Certification

We propose over the coming year to take steps to address each of the above matters to further enhance our governance arrangements. We are satisfied that the issues we have identified are addressed by the detailed action plans included in each of the service business plans across the Council and the corporate risk register, and that the actions identified will address the need for improvements that were highlighted in our review of effectiveness. These are monitored and reported to members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.

Signed:
Jim Graham
Chief Executive

.....
Councillor Izzi Seccombe
Leader of the Council

Date:

Audit and Standards Committee

08 September 2016

Warwickshire Pension Fund Statement of Accounts & Annual Governance Report 2015/16

Recommendation

The Committee is asked to:

- Consider the 2015/16 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval.
- Endorse and comment on the Annual Governance Report of the External Auditors for Warwickshire Pension Fund, attached at **Appendix B**, and consider whether there are any matters you wish to bring to the attention of Council.
- Approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at **Appendix C**.

1.0 Statement of Accounts

- 1.1. Appendix A to this report presents the Statement of Accounts for 2015/16.
- 1.2. The Statement of Accounts for Warwickshire Pension Fund is comprised of the following:
 - Statement of Responsibilities
 - Fund Revenue Account
 - Fund Net Assets Statement
 - Statement of Accounting Policies
 - Notes to the Financial Statements
 - Actuarial Statement
- 1.3. The Committee is asked to consider the 2015/16 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval.

2.0 Annual Governance Report

- 2.1 Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the financial statements of the Pension Fund before issuing their final opinion. Their report for 2015/16 is attached at **Appendix B**. This report is in addition to the usual Audit Management Letter which will be presented to this Committee later this year.
- 2.2 The Audit Director and Audit Manager will attend the meeting to present their report.

3.0 Letter of Representation

- 3.1 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Head of Finance and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are, to the best of their knowledge, sufficient, appropriate and without omission of material facts. The Audit and Standards Committee are asked to approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation for the Pension Fund at **Appendix C**.
- 3.2 The final version of the letters will be signed, by the Chair of the Council and the Head of Finance, when the accounts are approved by Council on 22 September 2016.

Background Papers

None

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Report Author	Vicki Forrester	vickiforrester@warwickshire.gov.uk
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Portfolio Holder	Alan Cockburn	alancockburn@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s):

Other members:



Warwickshire Pension Fund Statement of Accounts 2015/2016

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We would welcome any comments, judgements or suggestions that you have regarding this publication. Andrew Lovegrove, Corporate Financial Services, Resources Group, Warwickshire County Council.

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You can also leave your comments on our website at www.warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you.

INDEPENDENT AUDITOR'S REPORT

Statement of responsibilities for the statement of accounts

This section explains our responsibilities, in line with the Public Service Pensions Act 2013 and Local Government Pension Scheme Regulations, for our financial affairs and how we ensure we carry out these responsibilities properly.

Responsibilities of the Pension Fund

We must do the following:

- ~ Make sure that one of our officers is responsible for managing our financial affairs. In the Pension Fund, Warwickshire County Council's Head of Finance is responsible for doing this.
- ~ Manage our affairs to use our resources efficiently and effectively and to protect our assets.
- ~ Comply with IFRS financial reporting framework
- ~ Approve the statement of accounts.

Responsibilities of the Head of Finance

As the Head of Finance, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing the Pension Fund accounts, I have:

- ~ selected suitable accounting policies and applied them consistently
- ~ made reasonable and prudent judgements and estimates
- ~ followed the Chartered Institute of Public Finance and Accountancy's/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

- ~ kept proper accounting records which are up to date
- ~ taken steps to prevent and detect fraud, including preparing an audit risk management strategy.

John Betts
Head of Finance

Date: **22 September 2016**

I confirm that the accounts were considered and approved at a meeting of the Council on 22 September 2016.

Councillor Bob Stevens
Chair of the Council

Date: **22 September 2016**

The Pension Fund

This section summarises the accounts of our pension fund. We use this fund to pay former employees their pensions and other benefits when they retire.

Please note tables may not sum due to rounding.

2014/2015 (Restated) £ m	Fund account – Dealings with members, employers and other people directly involved	2015/2016 £ m
	Income to the fund	
	Contributions receivable	
-53.1	From employers (Note 6)	-52.5
-16.1	From employees (Note 6)	-16.4
-5.7	Transfers in from other schemes (Note 9)	-6.7
-74.9	Income to the fund	-75.6
	Spending by the fund	
	Benefits to be paid (Note 6)	
54.0	Pension payments	55.5
11.2	Commutation of pensions & lump sum retirement benefits	10.6
1.1	Lump sum death benefits	1.8
	Payments to and on behalf of leavers (Note 6)	
0.2	Refunds of contributions to people who leave the scheme	0.1
33.0	Transfers out of the scheme	5.2
7.4	Management expenses (Note 16)	8.2
106.9	Spending by the fund	81.4
32.0	Net additions from dealing with members	5.8
	Return on investments (Note 17):	
-13.9	Dividends from equities	-14.8
-7.6	Income from pooled investment vehicles	-7.2
-0.7	Interest on cash deposits	-0.1
	Change in market value of investments (Note 5):	
-96.4	Realised profit (-) or loss on sales	-167.0
-73.0	Unrealised profit (-) or loss on investments	155.4
	Taxes on Income	
0.7	Tax we cannot claim back	0.9
-190.9	Net returns on investments	-32.8
-158.9	Net increase (-) / decrease in fund during the year	-27.0

2014/2015 £ m	Pension fund net assets	2015/2016 £ m
158.9	Net increase / decrease (-) in fund during the year	27.0
1479.2	Add opening net assets of the scheme	1638.1
1,638.1	Net assets at the end of the year	1,665.1

As at 31 March 2015 (Restated) £ m	Net assets statement	As at 31 March 2016 £ m
	Investment assets (Note 5)	
7.7	Fixed interest securities	84.3
530.5	Equities	544.8
1,066.7	Managed funds	1,013.2
24.1	Cash and deposits	13.5
2.3	Other Investments	2.9
1,631.3		1,658.7
	Current assets	
9.4	Debtors (Note 18)	9.0
1.0	Cash balances (Note 19)	1.0
	Current liabilities	
-3.6	Creditors (Note 18)	-3.6
0.0	Cash balances (Note 19)	0.0
6.8		6.4
1,638.1	Net assets at the end of the year	1,665.1

Notes

1 Operations and Membership

The Warwickshire Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by Warwickshire County Council.

The Scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

The fund is open to WCC employees, the five district and borough councils and other organisations. You will find a list of scheduled and admitted bodies in Note 8. The fund does not cover teachers, police officers or firefighters as these staff have alternative pension arrangements. The Pension Fund Investment Sub-committee is responsible for managing the pension fund. It is made up of five County Councillors. Two independent specialists provide advice and guidance to the sub-committee, to the Head of Finance and to his staff.

The Public Service Pensions Act 2013 included a requirement to establish a local Pension Board for each LGPS Fund, with responsibility to assist the administering authority:

- To secure compliance with; the LGPS regulations; other legislation relating to the governance and administration of the LGPS, and; the requirements imposed by the Pension Regulator in relation to the LGPS and
- Perform an oversight role to ensure the effective and efficient governance and administration of the LGPS.

A local Pension Board has been in place since February 2015.

The Local Government Pension Scheme was amended from April 2014 when the above regulations came into force. The LGPS Regulations 2013 saw the introduction of a career related pension scheme based on an accrual of 1/49th of pensionable pay received. The pension awarded each year would be revalued in line with earnings as notified by government.

There are protections in place for existing members at 1 April 2014. The benefit structure for these is as follows:

Service prior to 1 April 2008 at 1/80th pensionable pay provides an annual pension and a tax free lump sum based on 3/80th

Service from 1 April 2008 to 31 March 2014 at 1/60th of pensionable pay provides an annual pension.

Membership from 1 April 2014 provides an annual pension of 1/49th of pensionable pay.

Contributions to the LGPS prior to 1 April 2014 were assessed on full-time equivalent pay and excluded non-contractual elements of pay such as overtime and bonus. Whereas, contributions under LGPS2014 are assessed on all pensionable pay received (including overtime and bonus). The contribution bandings were extended with many of the higher paid seeing an increase in contributions. LGPS2014 also saw the introduction of a 50/50 option allowing members the opportunity to contribute 50% for 50% of the benefit entitlement.

As at 31 March 2015	Membership	As at 31 March 2016
16,435	Number of members contributing to the fund	16,502
11,425	Number of pensioners paid by the fund	11,890
14,965	Number of ex-members whose pension rights are deferred until they retire	16,384

2 Accounting Policies

The accounts of the pension fund contain the information set out in the Code of Practice on Local Authority Accounting 2015/2016 (The Code). The Code says the accounts must adhere to the SORP Financial Reports of Pension Schemes (the Pensions SORP). As a result, the accounting policies are consistent with the Pensions SORP.

The accounts give a summary of the transactions and net assets of the fund. They do not include the liability to pay pensions and other benefits in the future. This is dealt with by the actuary's valuation every three years.

We have prepared the financial statements on an 'accruals bases. This means that we account for income and expenditure as we earn or agree to spend it, not when we actually receive or pay it.

a How we have prepared these accounts

The following accounting policies have been applied when preparing the financial statements.

b Valuing investments

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price on the final day of the accounting period.

ii) Fixed interest securities

Are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Pension Fund expects to receive on wind-up, less estimated realisation costs.
- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed adhere to industry guidelines, to the constituent documents of the pool or to the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets using the latest financial statements published by

the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; if single priced, at the closing single price.

In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

The value of fixed interest investments in the scheme's investment portfolio excludes interest earned but not paid over at the end of the financial year. This is included in "Other Investments" in the accounts and Note 5.

We include acquisition costs in the purchase costs of investments.

c Investment income

We account for income from equities on the date they are quoted 'ex-dividend'. Income from overseas investments is recorded excluding irredeemable withholding tax.

We account for income from fixed interest and index linked securities, cash, short term deposits and other investments on an accruals basis.

The change in the market value of investments includes profits and losses on selling investments and unrealised changes in market value.

d Foreign currencies

If there are forward exchange contracts in place for assets and liabilities in foreign currencies, we have used the contract rate. Other assets and liabilities in foreign currencies are shown in sterling at the rate of exchange at the end of the financial year. We translate income from overseas investments into sterling at an average rate for the period in which we received it.

We account for gains and losses arising from converting currencies as part of the change to the market value of investments. The exception is where there is a foreign currency derivative acting as a cash-flow hedge on investments; we would class this gain separately as realised profit in the fund account.

e Contributions

We account for normal contributions from members and employers in the payroll month to which they relate, at rates set out in the Rates and Adjustments Certificate. We account for extra contributions from employers in line with the agreement under which they are paid or, if there is no agreement, when we receive them.

f Benefits due to be paid

Under the scheme rules, members may receive a lump sum retirement grant in addition to a pension. We account for lump sum retirement grants at the date a pension becomes due.

We account for other benefits on the date the member leaves the plan or dies.

g Transfer to and from other schemes

Transfer values relate to amounts we receive from other pension funds for new members or to amounts we pay to other pension schemes for members who have left the fund. These are accounted for when either received or paid. This is normally when the member liability is accepted or discharged.

h Other expenses

We account for administration and investment management expenses on an accruals basis. These expenses do not include any recoverable VAT.

We have calculated our fund manager fees in line with the appropriate contract and the associated contract agreement as follows.

Fund manager	Mandate	Negotiated fee
Columbia Threadneedle Investments	UK equities	Percentage of the fund
MFS Investment Management	Global equities	Percentage of the fund
Schroder Investment Management	Fund of funds (UK property)	Percentage of the fund
Legal and General Investment Management	Passive index tracker	Percentage of the fund
Columbia Threadneedle Investments	Pooled Fund (UK property)	Percentage of the fund
Blackstone Group International	Fund of funds (hedge funds)	Percentage of the fund
HarbourVest Partners	Fund of Funds (private equity)	Percentage of the fund
J P Morgan	Absolute Return Strategic Bond	Percentage of the fund
Partners Group	Infrastructure	Percentage of the fund
SL Capital	Infrastructure	Percentage of the fund

Where fund manager fees are deducted at source as opposed to being charged via an invoice this fee is recorded in the fund revenue account via a journal entry to reflect the charge.

i Private Equity

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

j Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding

tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

k Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

l Cash and cash equivalents

Cash comprises cash in hand and on demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 3. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This estimate is subject to significant variances based on changes to the underlying assumptions.

n Hedge fund of funds

The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

o Assumptions made about the future

The Statement of Accounts contains estimated figures that are based on assumptions made by the pension fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The actuarial valuation at 2013 had made an assumption for the next three financial years and set contribution rates on their view of the future.

We have not made any critical judgements in compiling the accounts.

3 Actuarial Valuation

The purpose of an actuarial valuation, which by law must be carried out every three years, is to assess the ability of the fund to meet its long-term liabilities. The actuary assesses the future growth in the value of the fund, and the future liability to pay pensions to current and former employees. The difference between projected assets and liabilities sets the amount employers must contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities.

The actuarial valuation as at 31 March 2013 calculated a funding level of 77%. A revised schedule of employers' contribution rates came into force for the three years from 1 April 2014.

During 2015/2016, the County Council contribution rate was 14.30% plus an additional lump sum payment of £4.662 million. Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. Full details can be found in the 2013 actuarial valuation report and the funding strategy statement on the Warwickshire Pension Fund website.

The assumptions used for the March 2013 actuarial valuation were as follows:

Actuarial Valuation	Nominal %	Real %
Post Retirement Discount Rate	4.60%	2.10%
Pre Retirement Discount Rate	4.60%	2.10%
Salary Increases	4.30%	1.80%
Price Inflation / Pension Increases	2.50%	-

The fund is valued using the projected unit method which is consistent with the aim of achieving the 100% funding level described above. At the 31 March 2013 actuarial valuation, the fund's assets were valued at £1,379 million.

The succeeding triennial valuation, as at 31 March 2016, is now underway. As a result the employers within the Warwickshire Pension Fund will have a revised schedule of employer contribution rates for the three years effective from 1 April 2017.

4 Fund Manager Holdings

2014/2015 £ m	%	Market value of external investments	2015/2016 £ m	%
36.5	2.2	State Street Global Advisors (Index Tracker UK Equities)	0.0	0.0
259.3	15.9	Columbia Threadneedle Investments (UK Equities)	264.6	16.0
289.4	17.7	MFS Investment Management (Global Equities)	294.9	17.8
284.4	17.4	Black Rock Global Investors (Index Tracker)	0.0	0.0
220.9	13.5	Legal and General Investment Management (Index Tracker - Global Equities)	404.5	24.4
177.2	10.9	Legal and General Investment Management (Index Tracker - Fixed Income)	283.2	17.1
88.4	5.4	Columbia Threadneedle Investments (Property)	100.1	6.0
79.7	4.9	Schroder Investment Management (Property)	88.1	5.3
79.7	4.9	Blackstone Group International (Hedge Funds)	79.0	4.8
31.1	1.9	HarbourVest (Private Equity)	48.3	2.9
76.6	4.7	JP Morgan (Strategic Bond)	74.0	4.5
0.0	0.0	Standard Life Capital (Infrastructure)	19.3	1.2
0.0	0.0	Partners Group (Infrastructure)	0.7	0.0
8.1	0.5	BNY Mellon (Global Custodian)	2.0	0.1
1,631.3	100.0	Total	1,658.7	100.0

5 Investments

	Value 1 April 2015 £ m	Purchases at cost £ m	Sales proceeds £ m	Realised profit or loss (-) £ m	Unrealised profit or loss (-) £ m	Increase in debtors or (creditors) £ m	Value 31 March 2016 £ m
Fixed interest securities	7.7	114.2	-40.4	1.3	1.5	0.0	84.3
Equities	530.5	84.8	-69.5	10.0	-11.1	0.0	544.8
Managed funds	1,066.7	494.8	-557.9	155.6	-146.0	0.0	1,013.2
Cash and deposits	24.1	77.8	-86.5	0.0	0.1	-2.0	13.5
Other investments	2.3	0.3	-1.7	0.0	0.0	2.0	2.9
Total	1,631.3	771.8	-756.0	167.0	-155.4	0.0	1,658.7

(Restated)	Value 1 April 2014	Purchases at cost	Sales proceeds	Realised profit or loss (-)	Unrealised profit or loss (-)	Increase in debtors or (creditors)	Value 31 March 2015
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Fixed interest securities	6.6	0.0	-0.1	0.0	1.2	0.0	7.7
Equities	468.6	107.2	-101.5	19.1	37.1	0.0	530.5
Managed funds	991.6	241.2	-277.6	76.8	34.7	0.0	1,066.7
Cash and deposits	10.4	171.4	-155.7	0.5	0.0	-2.5	24.1
Other investments	0.5	0.6	-1.3	0.0	0.0	2.5	2.3
Total	1,477.7	520.4	-536.2	96.4	73.0	0.0	1,631.3

2014/2015 (Restated) £ m		2015/2016 £ m
	Fixed interest securities	
7.7	UK quoted	84.3
7.7		84.3
	Equities	
263.0	UK quoted	261.0
267.5	Overseas quoted	283.8
530.5		544.8
	Managed funds	
1,066.7	Managed funds	1,013.2
1066.7		1013.2
	Cash and deposits	
18.7	Sterling	10.2
5.4	Foreign currency	3.3
24.1		13.5
	Other investments	
2.5	Debtors	15.5
-0.2	Creditors	-12.6
2.3		2.9

The change in market value of investments during the year includes all increases and decreases to the market value of investments held at any time during the year, including profits and losses made when selling investments during the year.

6 Contributions and Benefits

2014/2015 £ m	Contributions received	2015/2016 £ m
25.2	Administering authority	25.5
8.5	~ From employers	8.5
33.7	~ From employees	34.0
21.5	Scheduled bodies	23.5
7.0	~ From employers	7.3
28.5	~ From employees	30.9
6.3	Admitted bodies	3.4
0.6	~ From employers	0.6
6.9	~ From employees	4.0
0.1	Non-scheduled bodies	0.1
0.0	~ From employers	0.0
0.1	~ From employees	0.1
69.2	Total	68.9

The total contributions we received from employers was £52.5 million (£53.1 million in 2014/2015) and £16.4 million (£16.1 million in 2014/2015) from employees.

Employees contributions during the year included £0.2 million to buy added years and to make additional regular contributions (£0.2 million in 2014/2015).

Employers contributions during the year included £0.8 million compensation to the fund for those retiring early and being made redundant (£1.9 million in 2014/2015).

The funding objective is to achieve and maintain a funding level of 100% of liabilities. For this reason a proportion of employer contribution received will be to reduce an existing deficit.

2014/2015 £ m	Analysis of contributions by type	2015/2016 £ m
15.9	Employee contributions - normal	16.2
0.2	Employee contributions - purchase of additional years	0.2
43.6	Employers contributions - normal, rechargeable and early retirement strain	42.0
9.5	Employers deficit funding Contributions	10.5
69.2	Total	68.9

2014/2015 £ m	Benefits paid	2015/2016 £ m
36.1	Administering authority ~ Pension paid (including lump sums)	37.7
2.2	~ Transfers out (Including Refunds)	2.0
38.3		39.7
26.7	Scheduled bodies ~ Pension paid (including lump sums)	26.5
31.0	~ Transfers out (Including Refunds)	3.3
57.7		29.8
2.9	Admitted bodies ~ Pension paid (including lump sums)	2.9
0.0	~ Transfers out	0.0
2.9		2.9
0.6	Non-scheduled bodies ~ Pension paid (including lump sums)	0.8
0.0	~ Transfers out	0.0
0.6		0.8
99.5	Total	73.2

Pensions paid out (including lump sums) was £67.9 million (£66.3 million in 2014/2015) and transfers out (including refunds) was £5.3 million (£33.2 million in 2014/2015).

7 Statement of Investment Principles

The Investment Board approved a revised statement of investment principles in March 2016.

You can get a copy by writing to the Resources Group, PO Box 3, Shire Hall, Warwick CV34 4RH or from our website www.warwickshire.gov.uk/pensions.

8 Organisations Contributing to the Fund

Scheduled bodies

- Alcester Grammar Academy
- Alcester High Academy
- Alcester St Nicholas Academy
- Alcester Town Council
- Ash Green Academy
- Ashlawn Academy
- Atherstone Town Council
- Aylesford School Academy
- Bilton High Academy
- Bishops Itchington Parish Council
- Bidford-on-Avon Parish Council
- Burton Green Parish Council
- Champion School Academy
- Cawston Grange Primary Academy
- Central Multiple Academy Trust Admin Centre
- Clifton on Dunsmore Parish Council
- Coleshill School Academy
- Coleshill Town Council
- Community Academies Trust Admin Centre
- Community Academies Trust Birchwood
- Community Academies Trust Budbrooke
- Community Academies Trust Dordon
- Community Academies Trust Polesworth
- Community Academies Trust Stratford Primary
- Community Academies Trust Wood End
- Community Academy Trust Woodloes Primary
- Coventry Diocese - St Michaels
- Coventry Diocese - St Nicolas
- Coventry Diocese - St Oswalds
- Coventry Diocese - Leamington Hastings CoE Academy
- Coventry Diocese - Harris High
- Coventry Diocese - St James
- Coventry Diocese - Queens Middle School
- Coventry Diocese - Studley St Mary's
- Curdworth Parish Council
- Discovery Academy, Nuneaton
- King Edward VI College, Nuneaton
- Kingsbury Parish Council
- Lawrence Sheriff Academy
- Long Itchington Parish Council
- Long Lawford Parish Council
- Mancetter Parish Council
- Matrix Academy Trust – Etone
- The Midland Academies Trust (Nuneaton)
- Midland Academies Trust (George Eliot)
- Midland Academies Trust (Hartshill)
- Midland Academies Trust (Studio College)
- Myton Academy
- Napton Parish Council
- National Education Trust (Henry Hinde Junior School)
- National education Trust (Keresley Newland)
- North Warwickshire and Hinckley College
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Oakwood Primary & Secondary Academy
- Polesworth Nethersole Academy
- The Priors Free School Academy
- Reach2 Academy (Oakfield)
- Reach2 (RaceMeadow)
- Reach2 (Newbold Riverside)
- Rugby Borough Council
- Royal Leamington Spa Town Council
- Rugby Free Primary School
- Rugby High Academy
- Ryton on Dunsmore Parish Council
- Shipston on Stour High School Academy
- Shipston Town Council
- Southam Town Council
- Stour Federation (Shipston Primary)
- Stour Federation (Acorns)
- Stratford upon Avon College
- Stratford on Avon District Council

- Erudition (Kingsbury)
- Erudition (Queen Elizabeth)
- Ettington Parish Council
- Griffin Trust (Nich Chamb)
- Griffin Trust (Park Lane)
- Griffin Trust (Race Leys)
- Heartwood AT Austrey
- Heartwood AT Newton Regis
- Heartwood AT Warton Nethersole
- Heartwood AT Woodside
- Henley High Academy
- Henley Primary Academy
- Henry Hinde Academy (Infants)
- Higham Lane Academy
- Holy Spirit Academy Trust St Anne's Catholic Primary School
- Holy Spirit Academy Trust St Benedicts Catholic Primary School
- Holy Spirit Academy Trust St Francis Catholic Primary School
- Holy Spirit Academy Trust St Joseph's Catholic Junior School
- Holy Spirit Academy Trust St Thomas More Catholic School
- Holy Spirit Academy Trust Our Lady of the Angels
- Stratford on Avon Girls Grammar Academy
- Stratford on Avon Girls King Edward VI Academy
- Stratford on Avon School Academy
- Stratford upon Avon Town Council
- Studley High Academy
- Tanworth in Arden Academy
- Tanworth in Arden Parish Council
- Tudor Grange Academy Trust (Haselor)
- Warwick District Council
- Warwickshire College
- Warwickshire County Council
- Warwickshire Police and Crime Commission
- Wellesbourne Parish Council
- Whitnash Town Council
- Wolvey Parish Council
- Studley Parish Council

Admitted bodies

- ABM Catering North Leam School
- Alliance in Partnership St Edwards RC
- Alliance in Partnership Oakfield Academy
- Alliance in Partnership Henley Primary Academy
- Alliance in Partnership Mappleborough
- Balfour Beatty
- Barnardo's Bedworth
- Barnardo's Kenilworth
- Barnardo's North Warks
- Barnardo's Nuneaton
- Barnardo's Rugby
- Barnardo's Warwick
- Bedworth, Rugby and Nuneaton Citizens Advice Bureau
- Chartwells
- CLASS Catering (SoA Primary School)
- CLASS Catering (The Willows)
- CLASS Catering (Thomas Jolyfee)
- CLASS Catering (St Marys Immaculate)
- Cleanspace
- Coventry Mind
- Heart of England MENCAP
- Nuneaton Mencap
- Orbit Housing and Care Group (Sanctuary Housing)
- People in Action
- Rugby Town Centre Company Limited
- Shipston Leisure (SLM)
- Solihull School
- Stratford and District MENCAP
- Stratford upon Avon Council for Voluntary Service
- Stratford upon Avon Citizens Advice Bureau
- Stratford upon Avon Town Trust Co Ltd
- Stratford Artshouse Trust
- Superclean Services
- Taylor Shaw (Myton)
- Taylor Shaw (Park Lane)
- Taylor Shaw (St Pauls)
- The Brandon Trust (North Warwicks)
- The Brandon Trust (Rugby)
- The Parenting Project
- The Rowan Organisation
- Warwick District Citizens Advice Bureau
- Warwick Schools

- Lawrence Cleaning
- Mid Warwickshire MENCAP
- NSL
- North Warwickshire Citizens Advice Bureau
- Nuneaton Leisure (SLM)

- Warwickshire Association for the Blind
- Warwickshire Care Services Ltd
- Warwickshire Day Care Centres
- Warwickshire Welfare Rights Service
- Westfield Community Development Association

Other admitted bodies with pensioners but no pensionable employees

- Beaudesert and Henley-in-Arden Parish Council
- Lapworth Parish Council
- Camphill Community Project
- CLASS Catering (Bishopton & Bridgetown)
- CLASS Catering (Round Oak)
- North Warwickshire Council for Voluntary Service
- Nuneaton and Bedworth Leisure Trust
- Nuneaton and Bedworth Council for Voluntary Service
- Orbit Housing Group
- Remnant Water Authority
- Rugby Council for Voluntary Service
- Rugby MENCAP Hostels
- Rugby MIND and Rugby Mental Health Association
- Severn Trent Water Plc
- Solihull Metropolitan Borough Council
- St Paul's College
- Stretton on Dunsmore Parish Council
- Warwick Town Council
- Youth Clubs UK
- Stonham (Home Group Ltd)

9 Transfers

2014/2015 £m	Transfers In From Other Pension Funds	2015/2016 £m
-0.7	Group transfers	-0.7
-5.0	Individual transfers	-6.0
-5.7		-6.7

2014/2015 £m	Transfers Out of The Scheme	2015/2016 £m
29.3	Group transfers	1.0
3.7	Individual transfers	4.2
33.0		5.2

In January 2015 there was a group transfer of £29.3m paid out to Greater Manchester Pension Fund in respect of Warwickshire Probation Trust.

10 Additional Voluntary Contributions

Some members of the pension scheme choose to purchase extra pension benefits via the payment of additional voluntary contributions to our AVC providers; Equitable Life and Standard Life. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include these assets. As at 31 March 2016, £0.34 million was invested with Equitable Life, and £2.7 million with Standard Life; during the year employees contributed £0.3 million to Standard Life and £3,000 to Equitable Life.

In accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 these amounts are not included in the Pension Fund Accounts but are disclosed as a note only.

11 Related Party Transactions

Warwickshire County Council is the administering authority and largest employer of the Pension Fund; consequently there is a strong relationship between the council and the fund. The County Council incurred costs of £0.8 million in relation to the staffing and running costs of the fund and has been reimbursed for these expenses. There is no co-mingling of cash, the Pension Fund manages its own bank account and operates its own cash flow.

The scheduled and admitted bodies of the fund are related parties; these can be found listed in Note 8.

There is one member of the investment sub-committee in receipt of a pension and one active member of the pension fund. Each member is required to declare their interests at each meeting. Three members of the Local Pension Board are active members of the pension fund and one is eligible for a refund. Several employees of Warwickshire County Council hold key positions in the financial management of the Pension Fund. These employees and their financial relationship with the fund (expressed as cash-equivalent transfer values) are set out below.

	Accrued pension as at 31 March 2015 £	Accrued pension as at 31 March 2016 £
Head of Finance	577,607.34	645,558.00
Head of Corporate Financial Services	231,864.99	265,895.00
Pensions Manager	387,070.30	422,401.98
Treasury and Pension Fund Manager	135,036.89	153,395.00
Principal Accountant	27,860.65	34,261.00

12 Investment Performance

Investment performance	Our pension fund	Our benchmark	Local Authority Average
	%	%	%
Yearly return on investments for 2015/2016	1.87%	-0.35%	0.20%

Overall in the financial year 2015/2016, the fund had a return of 1.87% compared with the fund's specific benchmark of -0.35%.

Investment performance	Our pension fund	Our benchmark	Local Authority Average
	%	%	%
Yearly return on investments for 2014/2015	12.89%	11.83%	13.20%

13 Actuarial Present Value of Promised Retirement Benefits as Provided by Hymans Robertson Pension Fund Actuary.

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire Pension Fund, which is in the remainder of this note.

Balance Sheet

Year ended	31 Mar 2015 £ m	31 Mar 2016 £ m
Present Value of Promised Retirement Benefits	2,542.0	2,382.0

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The estimated liability at 31 March 2016 comprises £1,236m in respect of employee members, £384m in respect of deferred pensioners and £762m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. Allowance has not been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2016 is to decrease the actuarial present value by £240m.

Financial assumptions

The financial assumptions are summarised below:

Year ended	31 Mar 2015 % p.a	31 Mar 2016 % p.a
Inflation/Pensions Increase Rate	2.40%	2.20%
Salary Increase Rate	4.30%	4.20%
Discount Rate	3.20%	3.50%

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2012 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% per

annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.4 years	24.4 years
Future Pensioners*	24.3 years	26.6 years

*Future pensioners are assumed to be aged 45 at the most recent formal valuation as at 31 March 2013.

Please note that the assumptions are identical to last year's IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Change in assumptions for the year ended 31 March 2016	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% decrease in discount rate	11%	258
1 year increase in member life expectancy	3%	71
0.5% increase in salary increase rate	4%	88
0.5% increase in pensions increase rate	7%	165

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2016 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Robert Bilton FFA
14 April 2016
For and on behalf of Hymans Robertson LLP

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £2,382 million, this figure is used for statutory accounting purposes by the Warwickshire Pension Fund and complies with the requirements of IAS26.

The assumptions underlying the figure match those adopted for the Administering Authority's FRS17/IAS19 reports at each year end. The figure is prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

14 Risk and How the Pension Fund Manages the Risks Faced

The Pension Fund's activities expose it to a variety of risks:

Credit risk: the possibility that other parties might fail to pay amounts due to the Pension Fund.

Liquidity risk: the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Market risk: the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

Credit risk

The Pension Fund is exposed to credit risk through stock lending, derivative contracts, and its daily treasury activities.

The stock lending programme is administered by the Fund's custodian, Bank of New York Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for stock on loan is 105%. This level is assessed daily to ensure it takes account of market movements. In accordance with investment regulations, stock lending is restricted to a maximum of 25% of the total market value of the stock held within the Fund.

Responsibility for managing the financial risks associated with derivative contracts rests with the appointed investment fund managers, whose performance is regularly monitored and reviewed.

The Pension Fund's bank account is held at Lloyds Bank plc, which holds a Fitch A+ long term credit rating (or equivalent). The Fund's cash balance is lent to borrowers in accordance with the County Council's Treasury Management Strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any one of those counterparties.

Liquidity risk

The Pension Fund holds a working cash balance in its bank account to pay pensions and other benefits. Cash is also required if the Fund's Private Equity Fund of Fund's manager requires additional funds. The Fund currently enjoys a long term positive cash flow. Cash flow surpluses

are invested with fund managers as and when required. The Pension Fund is authorised to borrow on a short term basis to fund cash flow deficits.

The fund actuary produces regular cash flow forecasts which are presented to the investment sub-committee who will take action where appropriate.

Market risk

To mitigate market risk, the Pension Fund is invested in a diversified pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. The management of the assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. Each manager is expected to maintain a diversified portfolio within their allocation. Risk associated with the strategy and investment return are regularly monitored and reviewed by the Pension Fund Investment Board.

Interest rate risk is the risk to which the Pension Fund is exposed to changes in interest rates and mainly relates to holdings in bonds. This risk is managed by Legal & General and BlackRock who are the Fund's appointed bond portfolio investment managers.

For investments denominated in non-sterling currencies, the Pension Fund is exposed to currency risk as a result of possible fluctuations in foreign currency exchange rates. So far as the Fund's equity investments are concerned, these risks are mitigated to some extent by the global nature of their underlying businesses. Furthermore, investment fund managers will take account of currency risk in their investment decisions.

A table has been prepared detailing our exposure to non-sterling assets. In order to calculate this, a currency basket based on the fund's foreign currency mix has been created. The currency is then multiplied by the change in its exchange rate (relative to GBP). Together this sums to the aggregate currency change of the 'basket'.

2015/16

Currency	Value £m	% Change	Value on Increase £m	Value on Decrease £m
Czech Republic Koruna	1	8.5%	1	1
Danish Krone	3	7.8%	3	3
EURO	74	7.7%	79	68
Japanese Yen	2	9.8%	3	2
Mexican Peso	1	10.8%	1	1
Swedish Krona	5	9.2%	5	5
Swiss Franc	25	12.0%	27	22
Thai Baht	1	7.7%	1	1
US Dollar	205	7.5%	220	190
Hong Kong Dollar	1	8.1%	1.0	1
Total	316	7.94%	341	291

2014/15

Currency	Value £m	% Change	Value on Increase £m	Value on Decrease £m
Brazilian Real	3	11.7%	3	2
Canadian Dollar	5	6.7%	6	5
Czech Rep. Koruna	1	7.5%	1	1
Danish Krone	2	6.2%	2	2
EURO	91	6.1%	97	86
Israeli Shekel	1	7.4%	1	1
Japanese Yen	5	11.0%	5	4
Mexican Peso	1	9.4%	1	1
South Korean Won	2	6.6%	2	2
Swedish Krona	4	7.3%	4	3
Swiss Franc	30	9.3%	32	27
Thai Baht	1	8.1%	1	1
US Dollar	167	7.8%	180	154
Global ex UK Basket	5	6.1%	5	5
Asia Pacific Basket	23	7.3%	25	21
Asia Pacific ex Japan Basket	27	6.4%	29	25
Total	367	7.4%	395	340

Price risk is the risk of losses associated with the adverse movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

An additional area of risk is the outsourcing of custody and accounting services to external third party service organisations. The main service area that the Pension Fund outsources is its custody arrangements with Bank of New York Mellon. The Fund's custodian is responsible for the safekeeping of the Fund's assets and acts as the Fund's clearing bank, settling transactions and collecting income. In addition, they provide a range of support services including stock lending and investment accounting. Bank of New York Mellon is a global industry leader and provides the custodian service to many local government pension scheme administering authorities.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds so the overall outcome depends on the asset allocation of the fund. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The closing investment assets of the scheme have been assessed for price risk in the following table.

2015/16

Asset Type	Value £m	% Change	Value on Increase £m	Value on Decrease £m
UK Equities	679.1	18.4%	804.0	554.1
Overseas Equities	262.6	14.6%	300.9	224.2
Total Bonds & IL	295.2	8.0%	318.8	271.5
Cash	14.3	0.0%	14.3	14.3
Alternatives	221.2	10.0%	243.3	199.1
Property	186.3	5.8%	197.2	175.5
Total Assets	1,658.7		1,878.5	1,438.8

2014/15

Asset Type	Value £m	% Change	Value on Increase £m	Value on Decrease £m
UK Equities	591.6	10.3%	652.7	530.5
Overseas Equities	382.6	10.1%	421.3	343.9
Total Bonds & IL	280.1	6.1%	297.1	263.1
Cash	24.5	0.0%	24.5	24.5
Alternatives	187.4	2.3%	191.7	183.1
Property	165.1	3.2%	170.3	159.9
Total Assets	1,631.3		1,757.6	1,505.0

The % change for Total Assets includes the impact of correlation across asset classes.

15 Other Disclosures

At 31 March 2016, the fund had stock valued at £13.1 million (£2.5 million at 31 March 2015) which was lent out to other organisations. The collateral held against this stock was valued at £13.9 million (£2.7m at 31 March 2015). This generated a total income of £0.023 million up to 31 March 2016 (£0.1m at 31 March 2015).

Collateral for loaned stock is obtained at 102% market value for sterling denominated equities and 105% market value in all other currencies. The fund has full beneficial ownership of the collateral during the loan duration. The full amount of collateral at 31 March 2016 is held in the form of Government debt and would be sold in the event of a borrower being unable to repay the loaned stock to the fund.

The fund does not hold any property directly. Property is held in the form of pooled funds.

Our policy is to reinvest income from fixed interest securities within the pooled units of the fund. During 2015/2016 we did not draw down any interest earned from fixed interest securities held in pooled units.

During the year 2015/2016, the pension fund paid refunds of contributions to employees of £0.1m after tax has been deducted.

Withholding tax has only been incurred against equities held actively by the fund.

The external audit fee for 2015/16 was £0.024 million, this was unchanged from 2014/15.

16 Management Expenses

2014/2015 £millions	Management Expenses	2015/2016 £millions
1.1	Administration costs	1.2
6.0	Investment management expenses	6.6
0.3	Oversight and governance costs	0.4
7.4		8.2

This analysis of the costs of managing the Warwickshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (Note 5 and Note 19). This includes transaction costs which totalled £0.3 million in 2015/16 (£0.5million in 2014/15).

17 Investment Income

2014/2015 £000	Investment Income	2015/2016 £000
0.5	Cash - UK - From administration of the Fund	0.0
697.5	Cash & Other Investments - UK - Fund Managers	55.6
-8.9	Cash & Other Investments - Overseas	-0.7
8,468.4	Equities - UK	9,347.2
2,385.1	Equities - North America	2,528.1
2,469.5	Equities - Europe	2,666.6
84.8	Equities - Japan	57.2
32.9	Equities - Pacific (Ex Japan)	46.7
403.0	Equities - Emerging Markets	124.2
96.0	Stock Lending	23.1
4,037.6	Pooled Property Investments	3,234.83
3,559.9	Pooled Investments - Unit Trusts and Other Managed Funds	3,989.9
22,226.3		22,072.7

18 Analysis of Debtors and Creditors

2014/2015 £m	Current Assets	2015/2016 £m
2.5	Contributions due from Employers	3.1
1.3	Contributions due from Employees	1.2
0.0	Deficit Recovery Contributions due from Employers	0.0
0.0	Debtors - Strain on Fund	0.1
4.3	Sales to Cash (Invoiced Debtors)	4.0
1.3	Other Debtors	0.6
1.0	Cash balances	1.0
10.4		10.0

2014/2015 £m	Current Liabilities	2015/2016 £m
1.2	Owed to Administrating Authority	1.3
1.6	Creditors - Suppliers	1.6
0.1	Creditors - Income Received in Advance	0.0
0.7	Creditors - Retirements	0.7
3.6		3.6

19 Financial Instruments

The following tables present the funds closing net assets by category of financial instrument.

Financial Instruments 2015/2016	Fair Value Through Profit and Loss £ m	Loans and Receivables £ m	Financial Liabilities (current) £ m	Total £ m
Fixed interest securities	84.3	0.0	0.0	84.3
Equities	544.8	0.0	0.0	544.8
Managed funds	1,013.2	0.0	0.0	1,013.2
Cash and deposits	0.0	13.5	0.0	13.5
Other Investments	0.0	15.5	-12.6	2.9
Debtors	0.0	9.0	0.0	9.0
Cash balances	0.0	1.0	0.0	1.0
Creditors	0.0	0.0	-3.6	-3.6
Net assets at the end of the year	1,642.3	39.0	-16.2	1,665.1

Financial Instruments 2014/2015 (Restated)	Fair Value Through Profit and Loss £ m	Loans and Receivables £ m	Financial Liabilities (current) £ m	Total £ m
Fixed interest securities	7.7	0.0	0.0	7.7
Equities	530.5	0.0	0.0	530.5
Managed funds	1,066.7	0.0	0.0	1,066.7
Cash and deposits	0.0	24.1	0.0	24.1
Other Investments	0.0	2.5	-0.2	2.3
Debtors	0.0	9.4	0.0	9.4
Cash balances	0.0	1.0	0.0	1.0
Creditors	0.0	0.0	-3.6	-3.6
Net assets at the end of the year	1,604.9	37.0	-3.8	1,638.1

The following table shows the net gains on the different categories of instruments above, (shown in the fund accounts as realised and unrealised profit).

2014/2015 £m		2015/2016 £m
-169.4	Fair Value through profit and loss	-11.6
0.0	Loans and Receivables	0.0
0.0	Financial Liabilites (current)	0.0
-169.4		-11.6

The following tables categorise the assets that are held at fair value according to the information used to determine their fair values:

Quoted market price - where fair values are derived from a price in an active market.

Using observable inputs - where valuation techniques have been used to arrive at a value in an active market.

With significant unobservable inputs the values will rely on judgement and assumptions where there is no market data.

Valuation at 31 March 2016				
	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£ millions	£ millions	£ millions	£ millions
Financial Assets Fair Value through P&L	620.4	874.7	147.2	1642.3
Financial Liabilities Fair Value through P&L	0.0	0.0	0.0	0.0
Net assets at the end of the year	620.4	874.7	147.2	1,642.3

Valuation at 31 March 2015				
	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£ millions	£ millions	£ millions	£ millions
Financial Assets Fair Value through P&L	610.1	884.0	110.8	1,604.9
Financial Liabilities Fair Value through P&L	0.0	0.0	0.0	0.0
Net assets at the end of the year	610.1	884.0	110.8	1,604.9

	Value 01-Apr	Purchases at cost	Sales proceeds	Realised profit or loss (-)	Unrealised profit or loss (-)	Value 31-Mar
	2015 £ m	£ m	£ m	£ m	£ m	2016 £ m
Fund of Hedge Funds	79.7	0	0	0	-0.8	78.9
Private Equity	31.1	14.8	-6.2	2.9	5.7	48.3
Infrastructure	0	20.8	-1.1	0.0	0.3	20.0
Total	110.8	35.6	-7.3	2.9	5.2	147.2

	Value 01-Apr 2014 £ m	Purchases at cost £ m	Sales proceeds £ m	Realised profit or loss (-) £ m	Unrealised profit or loss (-) £ m	Value 31-Mar 2015 £ m
Fund of Hedge Funds	66.9	8.1	0	0	4.7	79.7
Private Equity	16.5	12.4	-3.5	1	4.7	31.1
Total	83.4	20.5	-3.5	1	9.4	110.8

Hedge Funds held by the fund are held within a fund of funds, the fund does not hold hedge funds directly

20 Investments Greater than 5% of Total Assets

The following table lists single investments that exceed 5% of the total investment assets of the Fund.

Security Description	Market Value £m 31/03/2016	% of Total Fund
L&G GRADE CP BOND ALL STOCKS IND	171.2	10.3%
L&G - UK EQUITY INDEX	132.4	8.0%
THREADNEEDLE TPN PROPERTY A	100.1	6.0%
L&G EUROPE (EX UK) EQUITY INDEX FD	100.1	6.0%
L & G ALL STOCKS INDEX-LINKED GILTS	84.3	5.1%
	588.1	

Security Description	Market Value £m 31/03/2015	% of Total Fund
L&G GRADE CP BOND ALL STOCKS	141.5	8.7%
THREADNEEDLE TPN PROPERTY A	88.5	5.4%
	230.0	

21 Authorisation for Issue

These accounts have taken into account all known events up to 22 September 2016. On that date the accounts were authorised for issue by the Head of Finance.

John Betts
Head of Finance

Glossary

An A to Z of Investment terms

A

Absolute Return

Absolute return investing aims to produce a positive return over time, regardless of the prevailing market conditions.

Active management

A style of investment management where the fund manager aims to outperform a *benchmark* by superior *asset allocation*, market timing or *stock selection* (or a combination of these). Compare with *passive management*.

Active risk

A measure of estimated *volatility* of fund performance against the *benchmark*. Also known as forecast *tracking error* or *relative risk*. In technical terms, it is defined as the forecast standard deviation of annual returns versus the *benchmark*. Active risk is usually quoted *ex-ante*, the *ex-post* measure of *volatility* of actual returns more usually being referred to as realised *tracking error*.

Actuarial valuation

A review of the assets and *liabilities* of a pension fund to determine the surplus or deficit, and the future rate of contributions required.

Alpha

The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Consistently high alpha can indicate skilful management.

Alternative investments

Investments other than the mainstream *asset classes* of *equities* and *bonds*. Alternatives include *hedge funds*, *private equity*, *gold* and *commodities*. Property is also sometimes described as an alternative.

Asset allocation

The apportionment of a fund's assets between *asset classes*. See *strategic asset allocation* and *tactical asset allocation*.

Asset/liability modelling

A technique that gauges the suitability of various investment strategies by making projections of the future investment *returns* and *liabilities* of a fund.

B

Benchmark

A yardstick against which the investment policy or performance of a fund manager can be compared.

Beta

A measure of the expected movement in price of a stock or fund, given a movement in its benchmark. For example, suppose a stock has a beta of 1.2. If the market appreciates by 10%, the expected corresponding increase in stock price would be 12%.

British Venture Capital Association

The British Private Equity & Venture Capital Association (BVCA) is the industry body and public policy advocate for the private equity and venture capital industry in the UK.

C

Class action

A class action arises when a group of investors initiates a legal action against a company or its directors in respect of

alleged negligence or illegal behaviour. The majority of class actions are initiated in the US. The case usually involves a claim for compensation in respect of share price losses in a specified period.

Combined Code

A code of *corporate governance* principles for UK companies. So called because it combines the recommendations of several key reports on corporate governance issues including those of the committees chaired by Cadbury, Greenbury, Hampel and Higgs.

Commission recapture

A commission recapture agreement is where *brokers*, who have received *directed commissions* from a client, agree to give back some of their *commission* to the client. Such an agreement would usually be facilitated by a third party (such as a *custodian*) who would take a share of the revenue.

Corporate governance

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management. Governance issues include executive pay levels and how institutional investors use their votes.

Currency risk

Investing in any securities not denominated in the investor's own base currency introduces currency risk due to the *volatility* of foreign exchange rates.

D

Debt Security

Any debt instrument that can be bought or sold between two Parties and has basic terms defined, such as notional amount (amount borrowed), interest rate and maturity/renewal date.

Defined benefit scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised. Compare with *defined contribution scheme*.

Defined contribution scheme

A type of pension scheme where employees' and the employer's contributions are fixed but the pension ultimately paid to the employee depends on the investment returns achieved by the contributions and annuity rates at retirement. Compare with *defined benefit scheme*.

Derivatives

Financial instruments that are based on the movements of underlying assets. They allow exposures to markets and individual assets to be adjusted, thereby adjusting the *risk* characteristics of a fund. Common types of derivative include *forward contracts*, *futures*, *options*, and *swaps*. Derivatives may be traded on an exchange, or *over the counter* (OTC).

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce *risk*.

Dow Jones Industrial Average

This is an *index* of the New York Stock Exchange and is a basket of thirty shares, chosen to represent the economy, that provides an indication of the general movement of prices in the market.

Duration

The duration of a *bond* is the sum of the present value of the

future income and *redemption* payments, weighted by the number of years until receipt. Modified duration is a measure of the sensitivity of the price of a bond to changes in its *redemption yield*.

F

FRAG 21

Financial Reporting and Auditing Group guide on the issuance of reports to third parties on the internal controls of investment managers and custodians. The Group is part of the Institute of Chartered Accountants in England and Wales (ICAEW).

FRS 17/IAS19

An accounting standard which requires companies to incorporate their pension funds into their balance sheets and specifically that all pension fund *liabilities* should be valued using an AA corporate bond yield. Any mismatch between assets and liabilities is effectively brought on to the company's balance sheet, and can potentially increase the *volatility* of a company's share price.

FTSE All-Share Index

An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the *London Stock Exchange*. Updated daily. The FTSE 100 Index (or "Footsie") covers only the largest 100 companies.

Fund of hedge funds

See *hedge funds*.

G

Growth manager

A fund manager who aims to select equities that he believes will achieve above-average profits growth. Compare with *value manager* and *momentum manager*.

H

Hedge Funds

A hedge fund is a capital pool that has the ability to use *leverage* and to take both *long* and *short* positions with the aim of achieving an *absolute return*. A large variety of hedge fund strategies exists and the level of *risk* taken will vary. Investors looking for a diversified exposure to hedge funds will normally opt for a fund of hedge funds – a fund with underlying investments in several hedge funds covering different strategies and geographical areas.

Hedging

A strategy that aims to reduce *risk*. For example, a *forward* currency transaction might be executed when investing in overseas *shares* or *bonds* to avoid volatility of returns due to exchange rate movements.

I

IMA

The Investment Management Association is the industry body for the investment industry. Formed from previous industry bodies IFMA and AUTIF, the IMA's role is to make representations to the UK government, publicise the use of investment funds and promote training and knowledge throughout the industry. IMA is also an acronym for *Investment Management Agreement*.

IFRS

A set of international accounting standards stating how

Particular types of transactions and other events should be reported in financial statements.

Infrastructure

Investment in assets that provide sustainable services that are essential for a functioning economy.

Index Tracker

An index fund that tracks a broad market index or a segment thereof. Such a fund invests in all, or a representative number of the securities within the index.

L

LIBID

London Inter-Bank Bid Rate. Interest rate at which prime banks will offer to take funds on deposit from other banks in the London Inter-Bank market.

LIBOR

London Inter-Bank Offer Rate. Interest rate at which prime banks will offer to lend money in the London Inter-Bank market.

London Stock Exchange (LSE)

The UK's main exchange for trading in *shares*.

Limited Partnership

Two or more partners united to conduct a business jointly, and in which one or more of the partners is liable only to the extent of the amount of money that partner has invested.

M

Momentum Manager

A system of buying equities or other securities that have had high returns over the past three to twelve months, and selling those that have had poor returns over the same period.

Multi-Asset Management

Multi-asset management increase the diversification of an overall portfolio by distributing investments throughout several classes.

N

NAPF

National Association of Pension Funds. The UK industry body for pension funds.

P

Passive Management

A management strategy that seeks to match the return and risk characteristics of a market segment or index, by mirroring its composition.

PRAG

Pensions Research Accountants Group – responsible for issuing recognised Statements of Recommended Practice (SORPs) for pension schemes.

Pooled Funds

Funds from many individual investors that are aggregated for the purposes of investment, as in the case of a mutual or pension fund.

Private equity

Funds put up by investors to finance new and growing businesses. Also known as venture capital

R

Risk

In its simplest sense, risk is the variability of *returns*. Investments with greater inherent *risk* must promise higher expected returns if investors are to invest in them. Risk

management is an important aspect of portfolio management and involves the use of complex statistical models. See also *active risk*.

Risk-free asset/rate

An investment with no chance of default, and a known or certain rate of *return*.

Risk premium

The extra *yield* over the risk-free rate demanded by investors to compensate them for bearing *risk*.

S

SORP

Statements of Recommended Practice issued by the accountancy profession. One SORP sets out recommendations on the form and content of the financial statements of pension schemes.

Specialist management

A fund management arrangement where there are separate accounts with one or a variety of managers for specific *asset classes*. A specialist fund manager is concerned primarily with *stock selection* within the specialist *asset class*. *Asset allocation* decisions are taken by the trustees, their consultant or a specialist *tactical asset allocation* manager. Compare with *multi-asset management*.

Statement of Investment Principles (SIP)

Trustees of pension funds are required under the Pensions Act 1995 to prepare and keep up to date this written statement of how their scheme's assets are invested. Essentially, it provides evidence that the trustees have thought through the suitability of their scheme's investment policy and how that policy is implemented.

Stocklending

The lending of a *security* by the registered owner, to an authorised third party, for a fixed or open period of time, for an agreed consideration secured by *collateral*. The demand to borrow *securities* comes mainly from *market makers* to cover *short positions* or take *arbitrage* opportunities.

Strategic Asset Allocation

Strategic asset allocation is a portfolio strategy that involves setting target allocations for various asset classes, then periodically rebalancing the portfolio to maintain these original allocations.

T

Tactical Asset Allocation

Tactical asset allocation (TAA) is a dynamic investment strategy that actively adjusts a portfolio's **asset allocation**. The goal of a TAA strategy is to improve the risk-adjusted returns of passive management investing.

Transaction costs

Those costs associated with trading on a portfolio, notably *stamp duty* and *commissions*. The *IMA Disclosure Code* sets out how investment managers should report details of these costs to their clients.

Transition

The transfer of assets from one fund manager to another which may involve buying and selling assets.

V

Value Asset Allocation

The strategy of selecting equities that trade for less than their intrinsic values. Value investors actively seek equities of companies that they believe the market has undervalued.

W

Withholding Tax

A tax deducted at source, especially one levied by some countries on interest or dividends paid to a person resident outside that country.

The Audit Findings for Warwickshire County Council Pension Fund

Year ended 31 March 2016

8 September 2016

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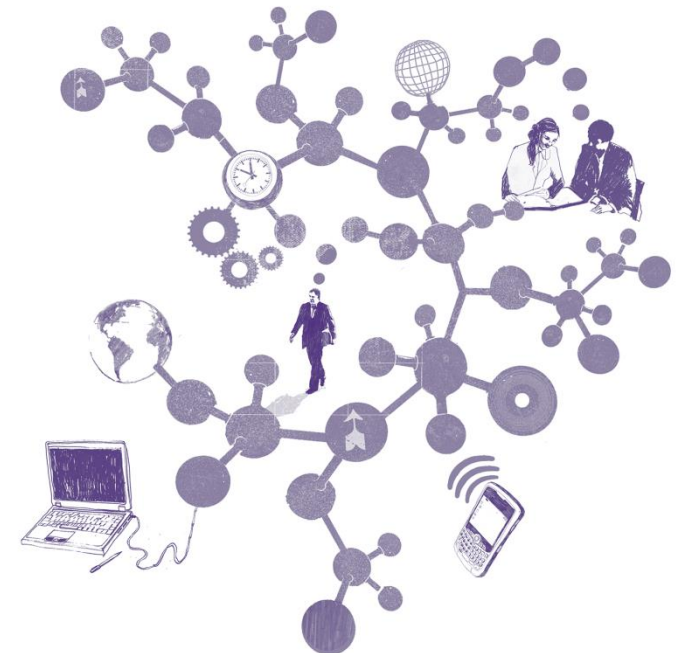
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8 September 2016

Dear Members of the Audit and Standards Committee

Audit Findings for Warwickshire County Council Pension Fund for the year ending 31 March 2016

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Warwickshire County Council Pension Fund, the Audit and Standards Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Grant Patterson
Engagement lead

Chartered Accountants

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Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Warwickshire County Council Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 18 February 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the outstanding controls reports and bridging letters from the fund managers,
- review of the final version of the financial statements,
- obtaining and reviewing the management letter of representation,
- updating our post balance sheet events review, to the date of signing the opinion, and
- review of the Pension Fund Annual Report and issuing of a 'consistency with' opinion on the pension fund financial statements in the Pension Fund Annual Report under the NAO's AGN 07.

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

We anticipate providing a unqualified audit opinion in respect of the Pension Fund financial statements (see Appendix B).

Key audit and financial reporting issues

Financial statements opinion

Subject to satisfactory completion of the outstanding matters noted on the prior page, we anticipate providing an unqualified opinion in respect of the Fund's financial statements.

We have not identified any adjustments affecting the Fund's reported financial position. However, we have:

- a) identified one valuation error of £1.2m, one classification difference between Level 1 and Level 2 investments of £1.3m in a disclosure note and one misclassification of £1.6m in respect of returns on investments which Management are proposing not to amend on the basis that they do not materially impact a reader of the accounts. These are detailed further in the section of this report headed 'Unadjusted misstatements' on page 18. We are seeking the Audit & Standard's Committee's agreement not to adjust and confirmation of this within the Letter of Representation, and
- b) recommended a number of adjustments to improve the presentation of the financial statements and ensure greater alignment with the Code.

The key messages arising from our audit of the Fund's financial statements are:

- We have no material adjusted misstatements to report.
- Working papers continue to be of a high standard, with queries resolved promptly from both the finance staff and members of the pension administration team.
- Our testing of investments has identified some differences between values reported by the Fund, and values that are publically available, the differences are not material, and have been reported separately later in this report.
- The financial statements continue to be compliant with the CIPFA Code in all significant respects, however it has been a number of years now since the statements have been reviewed against the example accounts produced by CIPFA. In particular, the layout and ordering of the information provided could be improved to aid clarity for the reader of the accounts. We have discussed this with officers during the audit, and made some changes for the current year, and also suggested areas to consider in future years.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

Findings

The only control weakness which we wish to bring to your attention is that this is the second consecutive year where no specific work has been undertaken on the activities of the Fund by Internal Audit. Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Head of Finance.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the Fund's finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team, the pension administration team and other staff during our audit.

Grant Thornton UK LLP
September 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £16,381k (being 1% of net assets at 31 March 2015). We have considered whether this measure and level remained appropriate during the course of the audit. Net assets at 31 March 2016 had increased to £1.665bn which would lead to a materiality of £16,651k (1% of net assets). We do not consider that the increase of £270k would impact upon our audit approach and have therefore made no changes to our overall materiality reported in our audit plan.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £818k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate, lower, materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Management Expenses	Due to public interest in these disclosures and the statutory requirement for them to be made.	No separate materiality has been set, but these disclosures will be treated as a sensitive item and reviewed even if they are below our overall materiality level.
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100k for the disclosures of key personnel in the related party note.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire County Council Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Warwickshire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management, • testing of journal entries, and • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular, the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>Our testing did identify three late journals that had been posted to amend an investment classification. These had not been formally approved in line with the Fund's normal procedures, however we have gained sufficient assurance that these journals were an appropriate year end adjustment.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Level 3 Investments – Valuation is incorrect</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> gained an understanding of the transactions via discussions with the pension fund team and reviewed supporting documentation. carried out walkthrough tests of the controls identified in the cycle. tested a sample of investments by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments. reviewed the competence, expertise and objectivity of any management experts used. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. However, we note that the fund manager confirmation from SL Capital is £0.9m higher than the value recorded by the custodian and therefore included in the accounts. The difference relates to unrealised gains not recorded by the custodian.</p>
4.	<p>Disinvestment from assets managed by Blackrock Investment Management</p> <p>The pension fund is in the process of moving all the assets it currently holds with Blackrock to Legal and General Investment Management (LGIM), as part of a pooling of passive mandates with other local government pension funds. LGIM already act as a fund manager for the pension fund and therefore we do not expect the transfer to be particularly complex, however the holding with Blackrock is significant (£284.4m at 31/3/15, or 17% of the fund's net assets) and we therefore consider it to be a significant non-routine transaction.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> gained an understanding of the transaction including a review of supporting documentation. reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. have reviewed the accounting entries in the financial statements to ensure that they are consistent with our understanding of the supporting documentation and with the requirements of the CIPFA Code of Practice. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. 	Our audit work has not identified any significant issues in relation to the risk identified.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances. 	Our audit work has not identified any significant issues in relation to the risk identified. However, testing of Level 2 investments identified that two cash balances had been included in the analysis which shouldn't have been included. The value of the items is £3.8m and officers have agreed to amend for this.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct (Occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • analysed contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified.
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • tested a sample of individual pensions in payment by reference to member files. • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified.
Member Data	Member data not correct. (Rights and Obligations)	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. • sample tested changes to member data made during the year to source documentation. 	Our audit work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management

Significant matter	Commentary
Reliance on the work of experts	<p>The Fund places significant reliance on the work of both the custodian and the fund managers in producing the statement of accounts. During the course of the audit, we have challenged some of the initial assumptions used by the custodian, however we have seen limited evidence that the data provided has been challenged as part of the financial statements production process. In addition, our review of the control reports provided by fund managers has identified one control report that had been qualified by the auditors. We are satisfied that the control deficiencies are unlikely to lead to a material error in the financial statements but it is not clear how management had considered the potential impact of this qualification on the Fund and whether there was a matter to raise with those charged with governance.</p> <p>While we acknowledge that the Fund employs a range of experts to help them manage their investment portfolio, it is important that, where appropriate, assumptions used or areas of uncertainty are challenged and clearly understood by officers of the Fund when producing the financial statements. In addition, members need to be aware of the key areas of accounts that are influenced by experts and that the experts are suitably qualified and experienced in their field.</p> <p>This is an area that will become increasingly important as asset pooling develops, and governance structures become more complicated.</p>
Fair Value of the debtor in respect of Nuneaton and Bedworth Leisure Trust	<p>Following the winding-up of Nuneaton and Bedworth Leisure Trust in 2014/15 it was determined that a cessation payment of £2.7m was due to the Fund in respect of pension liabilities. This was shown as a current asset in 2014/15. No payments have been received in 2015/16 and the Council, as administering authority, is in on-going discussions with the Trust's guarantor. We have challenged management on whether the full debt is collectable and they remain of the view that it is. The sum is not material to our opinion but we have requested that the Fund includes a specific reference to the collectability of the £2.7m cessation payment in the management representation letter.</p>

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.



Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>There are two key policies in relation to revenue recognition: that for contribution income and that for investment income.</p> <p>Normal contributions are accounted for in the payroll month to which they relate.</p> <p>Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments.</p>	<p>The policies are considered appropriate under the accounting framework in place.</p>	<p style="text-align: center;">● (Green)</p>
<p>Judgements and estimates</p>	<p>Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code.</p> <p>The Fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The Fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund chooses to rely on the valuation provided by the fund manager.</p>	<ul style="list-style-type: none"> • The policies are considered appropriate under the accounting framework in place. • Overall sufficient assurance has been provided by either the experts used for valuing the Fund, or we have been able to agree valuations to third party evidence. • For Harbourvest, due to the timing differences in receiving up-to-date valuations from the fund manager compared to the date the financial statements need to be prepared the closing values reported for Harbourvest are estimated based upon the value of the investment as at December 2015. Updated valuations as at 31 March 2016 were available at the time of our audit and these have been reviewed to evaluate the reasonableness of the estimate or key assumptions used in the preparation of the estimate. We have noted that the estimate included in the financial statements is £1.7m less than that which would have been included if the final year end position had been known at the time the accounts were prepared. This is not material and below our expectation of tolerable error. We are therefore satisfied that the estimate is as a result of applying an appropriate estimation technique and no amendment is required to the accounts. 	<p style="text-align: center;">● (Green)</p>

Assessment



- Marginal accounting policy which could potentially attract attention from regulators (Red)
- Accounting policy appropriate but scope for improved disclosure (Amber)
- Accounting policy appropriate and disclosures sufficient (Green)

Accounting policies, estimates and judgements continued

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Going concern	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed officers' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 (Green)

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators (Red)
-  Accounting policy appropriate but scope for improved disclosure (Amber)
-  Accounting policy appropriate and disclosures sufficient (Green)

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> The draft note made no references to members of the pension board and whether they are active if that constitutes a related party interest. Officers have agreed to amend the note in the final version of the financial statements.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> In addition to the standard representations required, including the reasons for not adjusting for the matters identified on page 18, we have also requested that the Fund includes a specific representation in relation the collectability of the £2.7m cessation payment in respect of Nuneaton and Bedworth Leisure Trust.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund. This permission was granted and the requests were sent, all of these requests were returned with positive confirmation, with the exception of Partners Group, who hold a value of investments of £0.7m. Further procedures have been carried out in respect of this balance.
6.	Disclosures	<ul style="list-style-type: none"> The financial statements continue to be compliant with the CIPFA Code in all significant respects, however it has been a number of years now since the statements have been reviewed against the example accounts produced by CIPFA. In particular, the layout and ordering of the information provided could be improved to aid clarity for the reader of the accounts. We have discussed this with officers during the audit, and made some changes for the current year, and also suggested areas to consider in future years.
7.	Matters on which we report by exception	<ul style="list-style-type: none"> We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2016 and therefore this has not yet been produced. We are therefore unable to give a certificate of completion on the audit of the administering authority until this work has been completed.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investment Income, Contributions, Benefits Payable, and Member Data as set out on page 9 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 (Amber)	<p>Our examination of the overall control environment includes a review of internal audit. While we have concluded that internal audit are independent and have the required skills, we note that the audit plan included no specific work on the pension fund for the current year. This was also reported last year. Our work in the sector demonstrates that most funds have some form of internal audit coverage, and that this has increased in recent years to take account of the introduction of LGPS 2014.</p> <p>Members will be aware that the landscape for public sector pensions is undergoing substantial change currently and it is important that appropriate assurance is gained in key areas. Last year was the first year that the pensions regulator had a remit in relation to public sector pension schemes, and to date they have undertaken limited work, however it is important to note that any review they undertake is likely to focus on member data and administration of the information held by the Fund.</p>	<p>The Head of Finance, in conjunction with members should consider whether sufficient assurance is in place on key controls within the pension fund.</p> <p>Further consideration is also needed on the most appropriate reporting mechanism for the work of internal audit in relation to the pension fund, either continuing through the Audit and Standards Committee, or via the local Pension Board.</p>
2.	 (Amber)	<p>Testing of Level 1 investments against public data identified some minor differences in unit prices between those that are publically available and those provided by the fund managers on their reports. We have projected the differences identified, which indicates a potential difference of £1.5m. The individual differences are trivial and we are satisfied that as the projection is significantly below our tolerable error that we have a reasonable basis for concluding on the population as a whole and do not consider that this indicates a material error in the valuation of Level 1 investments. However, as noted earlier it is important that, where appropriate, assumptions used by the Fund's experts are challenged and clearly understood by officers of the Fund when producing the financial statements.</p>	<p>The Head of Finance should consider whether appropriate controls and processes are in place to validate and challenge information provided by experts when producing the financial statements.</p> <p>In addition, members need to be aware of the key areas of accounts that are influenced by experts and that the experts are suitably qualified and experienced in their field.</p>

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment

-  Significant deficiency – risk of significant misstatement (Red)
-  Deficiency – risk of inconsequential misstatement (Amber)

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Account balance	Reason for not adjusting
1 We have identified that investments with MFS have been valued using mid price. The accounting policies clearly state that this should have been valued using bid price. If the holdings had been valued at bid price the value would have been £1.2m lower and therefore this has resulted in equities being overstated by £1.2m.	Equities £571.6m	The balance is not considered material to the reader of the accounts.
2 Within Note 19 – Financial instruments and fair value disclosures – we identified a classification error of £1.3m between Level 1 and 2 investments. The total combined value of the investments is correct.	Note 19 – Financial instruments and fair value disclosures	The disclosure difference is not considered material to the reader of the accounts.
3 CIPFA guidance states that management fees which are netted off fund assets should be grossed up. The Fund has recognised this by grossing up management fees which are not invoiced as an opposite entry to the return on investments so that the net impact on the Fund Account is nil. The CIPFA recommended treatment is to identify the value of units redeemed in lieu of fees and report this as a disposal, thus increasing the reported profit on disposal and/or change in the market value of investments, with no net impact on the Fund Account. The treatment by the Fund as a return on investments is therefore not in line with this guidance. The total value of such entries identified is £1.6m that have been misclassified.	Return on investments	Officers have not amended for this as it links to guidance and not a Code requirement but have agreed to add an additional disclosure explaining the treatment.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Account balance	Impact on the financial statements
1 Presentation and disclosure	Various	<p>Our review of the financial statements highlighted some improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit.</p> <p>Examples include Note 1 making reference to outdated regulations, Note 2 referred to the wrong version of the Code and the Statement of Responsibilities referred to the wrong version of the Accounts and Audit Regulations. Additional disclosure was requested to take account of the changes to the governance arrangements and the introduction of the local Pension Board. We also highlighted some notes where comparative information in respect of the prior year needed to be added. This is in addition to the need to tidy up formatting and some punctuation prior to publication.</p>
2 Disclosure	Critical judgements and estimation uncertainty	The draft accounts state that the Fund makes no critical judgements, however given the nature of both private equity investments and the actuarial information this is not in line with our expectations. We have discussed this with officers and additional disclosures for the 2015/16 accounts have been agreed which more closely align with the CIPFA example accounts. Further improvements in this area are planned for 2016/17.
3 Disclosure	Note 19 – Financial instruments and fair value disclosures	The fair value notes that classify assets as Level 1, Level 2 or Level 3 incorrectly include loans and receivables and cash instruments. Officers have agreed to amend these disclosures. In addition, we would expect the disclosures on financial instruments to include a note on the Fund's exposure to hedge funds, again officers have agreed to add further disclosure in the revised accounts.
4 Disclosure	Events after the reporting date	There is currently no note for events after the reporting date. Given the recent uncertainties in financial markets as a result of Brexit we have asked management to consider where there are non-adjusting post balance sheet events that might need to be reported at the date the financial statements are authorised for publication.

Misclassifications and disclosure changes continued

Adjustment type	Account balance	Impact on the financial statements
5 Misclassification	Management expenses	We had highlighted this note as a sensitive item as a result of the level of public interest in the cost of managing pension funds and the recent government agenda on pooling. Our review highlighted some misclassification of costs between categories, which have now been amended for.
6 Misclassification	Return on investments	One item tested related to grossed up management fees which are not invoiced, this being the opposite entry to the return on investments so that the net impact on the fund account is nil. CIPFA guidance does state that management fees which are netted off fund assets should be grossed up, however the recommended treatment is to identify the value of units redeemed in lieu of fees and report this as a disposal, thus increasing the reported profit on disposal and/or change in the market value of investments, with no net impact on the Fund Account. The treatment by the Fund as a return on investments is therefore not in line with this guidance. The total value of such entries identified is £1.6m that had been misclassified. Officers have not amended this but have agreed to add an additional disclosure explaining the treatment.
7 Disclosure	Note 14 Currency Risk	Noted an inconsistency in the number of decimal places used in the table in Note 14 of the draft accounts. This meant that the table was not coherent. Officers have agreed to amend this so that all figures are shown consistently.
8 Misclassification	Infrastructure and Private Equity investments	Our work identified that infrastructure investments, and one private equity holding, had been classified as equities based on information from the custodian. Following review of the SORP and discussions with the fund managers it was agreed that these should be classified as managed funds. Officers have agreed to amend the accounts to reflect this.

Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	23,892	23,892
Agreed fee variation – IAS 19	1,328	1,328
Total audit fees (excluding VAT)	25,220	25,220

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies with the PSAA regime and is consistent with that requested in prior years.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Fees for other services

Service	Fees £
Audit related services	Nil
Non-audit services	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The format and content of the accounts should be reviewed against the CIPFA example accounts to identify any improvements that could be made in future years.	Medium	Agreed	For 2016/17 accounts, Vicki Forrester and Andrew Lovegrove
2	The Head of Finance, in conjunction with members should consider whether sufficient assurance is in place on key controls within the pension fund. Further consideration is also needed on the most appropriate reporting mechanism for the work of internal audit in relation to the Pension Funds, either continuing through the Audit and Standards Committee, or via the local Pension Board.	Medium	We will discuss further with the Chief Internal Auditor to ensure that where we rely on assurance of Council-wide systems, testing includes Pension Fund transactions, and that this is 'mapped' across pension fund activity so we can take a view on whether there are any further areas that need internal audit coverage.	March 2017, John Betts
3	The Head of Finance should consider whether appropriate controls and processes are in place to validate and challenge information provided by experts when producing the financial statements and that members are aware of the key areas of accounts that are influenced by experts and that the experts are suitably qualified and experienced in their field.	Medium	We will ensure that covering reports introducing the accounts to elected members clarify the areas where we use external experts.	March 2017, John Betts

Appendix B: Audit opinion

We anticipate we will provide the Fund with an unmodified audit report or amend as appropriate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICKSHIRE COUNTY COUNCIL PENSION FUND

We have audited the pension fund financial statements of Warwickshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts 2015/16 to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

Grant B Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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xx September 2016



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Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

Date – to be the same as the date the opinion is signed.

Dear Grant

Warwickshire County Council Pension Fund
Financial Statements for the year ended 31 March 2016

This representation letter is provided in connection with your audit of the financial statements of Warwickshire County Council Pension Fund ('the Fund') for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2016, and of the amount and disposition at that date of its assets and liabilities in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- 1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
- 2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- 3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- 4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- 6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- 7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- 8 Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Fund have been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- 10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- 12 We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- 13 We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at year-end.
- 14 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements. the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

- 15 We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit;and

c unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

16 We have communicated to you all deficiencies in internal control of which management is aware.

17 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18 All transactions have been recorded in the accounting records and are reflected in the financial statements.

19 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:

- a management;
- b employees who have significant roles in internal control; or
- c others where the fraud could have a material effect on the financial statements.

20 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

21 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

22 There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

23 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

24 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.

25 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 8 September 16.

Yours faithfully

Name.....

Position.....

Date.....

Signed on behalf of **Warwickshire County Council** as administering body of the **Pension Fund**

Audit and Standards Committee

8 September 2016

External Auditors Progress and Update Report

Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the attached External Auditors Progress and Update Report.

1.0 Purpose of the Report

- 1.1. The purpose of this report is for our external auditors to provide a report to inform the Council's Audit and Standards Committee of their progress in delivering our responsibilities as our external auditors. The report also includes a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

2.0 Background Papers

None

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Local Members consulted

Not applicable

Other Members consulted

None

Audit Committee
Progress and Update Report for
Warwickshire County Council
Year ended 31 March 2016

August 2016

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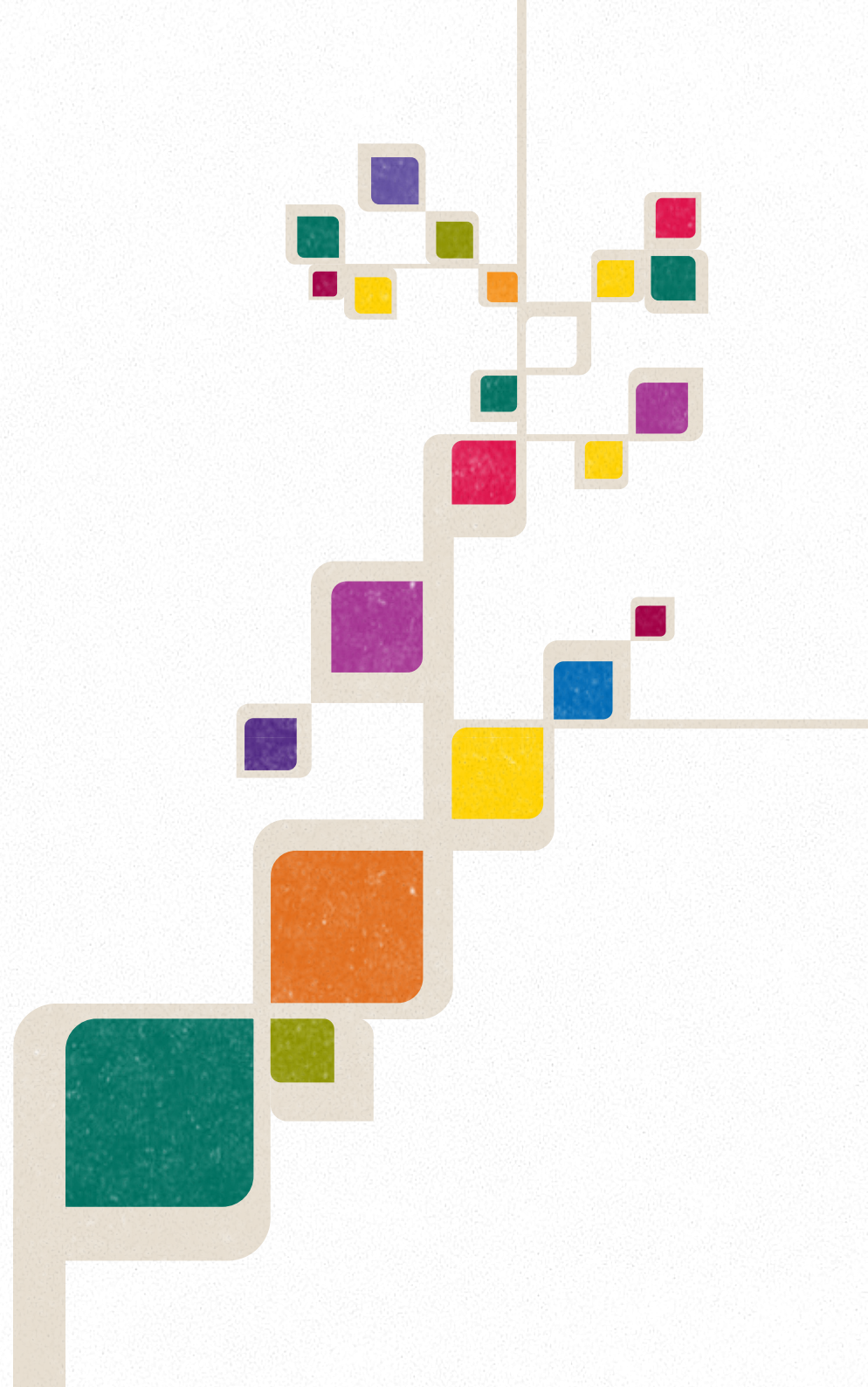
E andrew.s.reid@uk.gt.com

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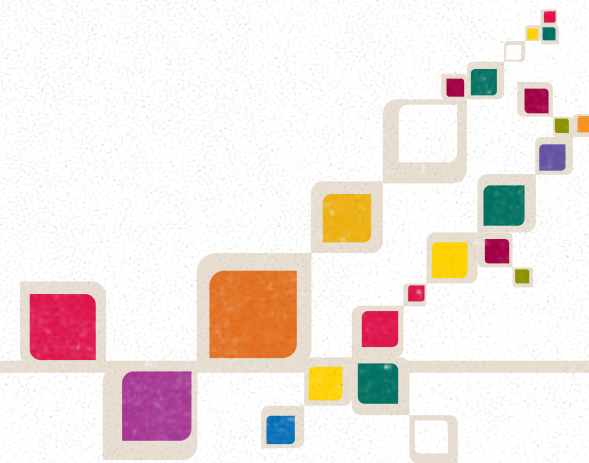
Executive

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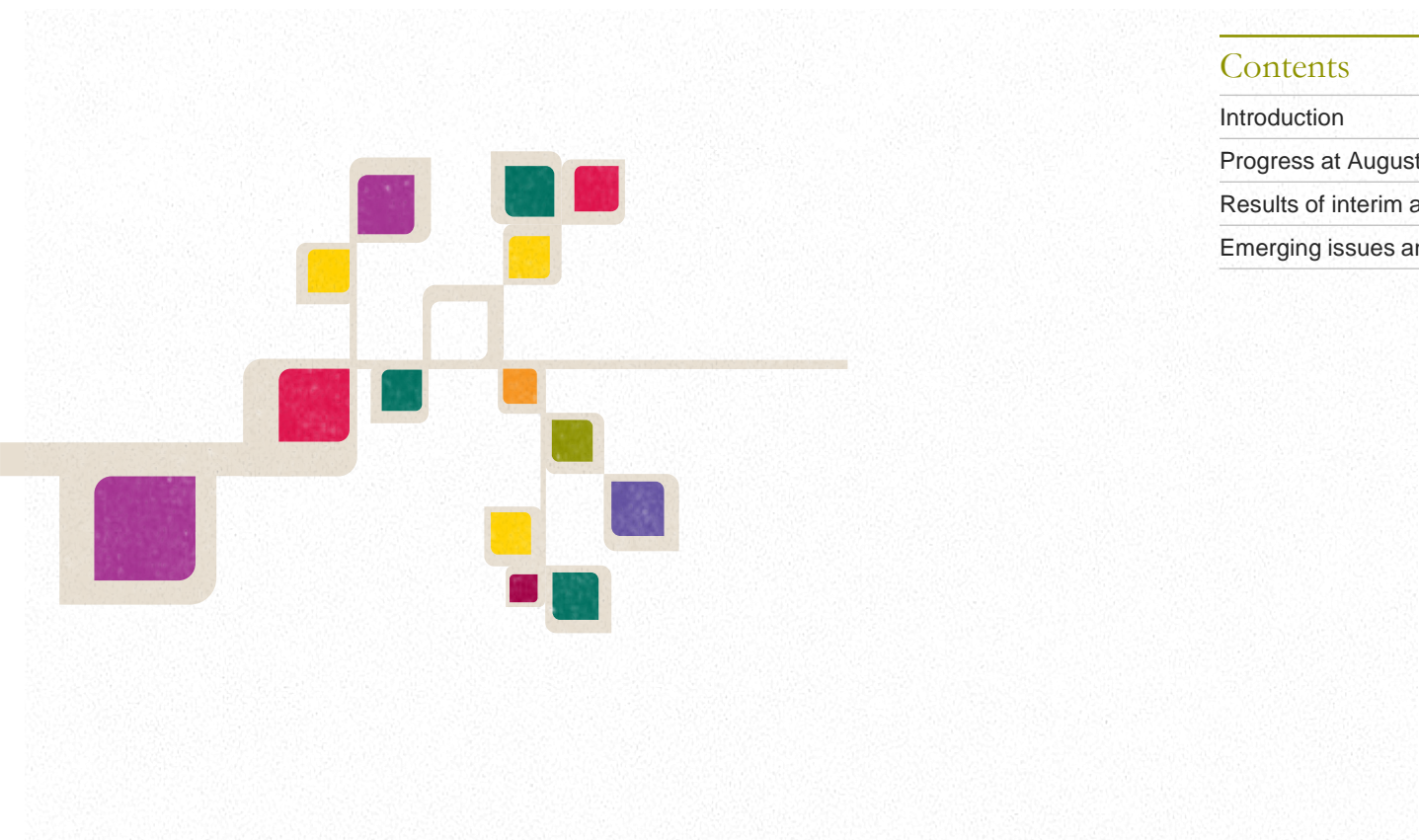
E ellena.grant-pearce@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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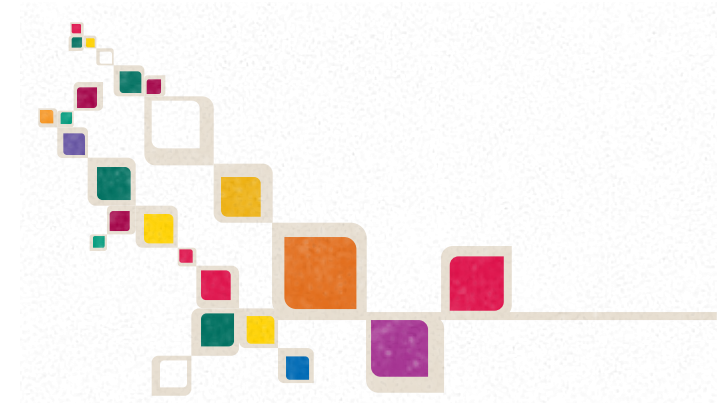
Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

We have included an overall summary of progress in delivering this year's audit and provided feedback on the outcomes of our interim audit work. We have also taken the opportunity to include short briefings on current issues and our latest publications.

Members of the Audit Committee can find further useful material on the Government and Public sector page of our Insights website (<http://www.grantthornton.co.uk/en/insights/>).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Progress at 3 August 2016



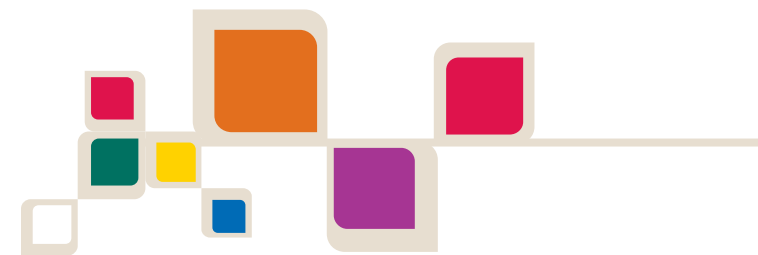
 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Plan to give before deadline of 30 September 2016

 **Outputs delivered**
Fee letter, Progress Reports, delivered to plan

2015/16 work	Completed	Comments
<p>Fee Letter We issued the planned fee letter for 2015/16 in April 2015. This was presented to the Audit and Standards Committee alongside the 2015/16 Audit Plan in March 2016.</p>	March 2016	We have also recently issued the fee letter for 2016/17, with no change to the fee proposed. This will be reported to the Audit and Standards Committee alongside the 2016/17 Audit Plan in March 2017.
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p> <p>We also inform you of any subsequent changes to our audit approach.</p>	March 2016	Presented to the Audit and Standards Committee in March 2016.
<p>Interim accounts audit Our interim fieldwork visit included:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	March 2016	Interim audit findings were reported to the Audit and Standards Committee in June 2016.

Progress at 30 June 2016 (continued)



2015/16 work	Completed	Comments
<p>Final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • Audit of the 2015-16 financial statements • proposed opinion on the Council's accounts 	<p>July 2016</p>	<p>Findings from our 2015-16 audit of the Council's financial statements are included in our Audit Findings Report.</p>
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>July 2016</p>	<p>The results of our VfM conclusion assessment are included in our Audit Findings Report</p>
<p>Other activities</p> <p>We provide a range of workshops, along with network events for members and publications to support the Council.</p>	<p>Ongoing</p>	<p>Further details of the publications that may be of interest to the Council are set out from page 10.</p>

Brexit: What happens next and what does it mean for you?

The people of the UK have made a decision to leave the EU. What happens next - and the implications for businesses and organisations in the UK - is less clear.

We have produced an analysis of what we know about the mechanics of leaving the EU, our assessment of some of the external factors that may affect organisations over the coming months and years, and a summary of the different models for trading relationships outside the EU. This can be found on our website and we have attached copies to this report.

In thinking about the impact organisations will want to consider not only legal and regulatory changes but also market reactions, consumer and business behaviours, and the wider political and economic environment. The Council will have a role in both shaping its own response and in helping organisations in the City respond to a changing environment. We can expect three broad phases of reaction to Brexit:

- initial volatility
- medium term uncertainty and instability
- longer term transition

The impact of this will be different for every organisation. In looking at the threats and opportunities these phases create, and planning how the Council can create and protect value, you may wish to consider the short, medium and long term implications for issues like people and talent, strategic ambitions, financing, risk, operations and protecting investment.

We believe that in the coming weeks and months, dynamic organisations have a critical role to play in helping to shape the future of Britain. Grant Thornton is leading a campaign which explores how we can build a vibrant economy. You can find out more here: <http://vibranteconomy.co.uk/>

We would welcome views on what the priorities should be for government and the UK to create a new economy outside the EU.

Emerging issues

How is the Council responding to the outcome of the EU referendum?

Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

The changing face of Corporate Reporting

We have established a global network of public sector auditors and advisors to share good practice and to provide informed solutions to the corporate reporting challenges our clients face.

We were fortunate to have the CEO of the IIRC speak at our most recent meeting. Integrated Reporting, <IR>, is a new approach to corporate reporting and it is building a world-wide following in both the public and private sectors.

In the commercial sector, <IR> has led to improvements in business decision making, the understanding of risks and opportunities as well as better collaborative thinking by boards about goals and targets..

<IR> is based on integrated thinking that results in a report by an organisation about sustainable value creation. It requires a more cohesive and efficient approach to organisational reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

By moving the focus away from only short-term, backward looking, financial reporting, <IR> encourages organisations to report on a broader range of measures that link their strategic objectives to their performance. The result is an overview of an organisation's activities and performance in a much wider, more holistic, context.

- <IR> encourages organisations to consider whether there are any gaps in the information that is currently available to them, so that integrated thinking becomes embedded in mainstream practice.
- <IR> is underpinned by the International <IR> Framework published in December 2013. It is principles- based, allowing organisations to innovate and develop their reporting in the context of their own regulatory framework, strategy, key drivers, goals and objectives.
- <IR> is consistent with the Strategic Reports required from UK companies, the Performance Reports that government departments, agencies and NHS bodies produce and the developing Narrative Reporting in local government.

The IIRC has established a Public Sector Pioneer Network to consider why and how the public sector can adopt <IR>, with the end goal of improving transparency and building trust. There is already a core of UK organisations within this.

<Integrated Reporting>

Further information is available on the IIRC's website



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Audit and Standards Committee

8 September 2016

Appointment of External Auditors

Recommendation

Audit and Standards Committee recommend to Council that Warwickshire County Council opt-in to the approved sector-led body for the appointment of the authority's external auditors from April 2018.

1.0 Purpose of the Report

- 1.1. The Local Audit and Accountability Act 2014 brought the Audit Commission to a close and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. For local authorities this transitional arrangement finishes after the audit of the 2017/18 accounts. As a result the County Council will need to have new arrangements in place in time to appoint its external auditors by 31 December 2017.
- 1.2. This report summarises the changes to the arrangements for appointing external auditors and considers the options available to the authority. It concludes with a recommendation to opt-in to a sector-led approach and outlines the next steps for the authority in implementing the agreed approach.

2.0 Background

- 2.1 The Council's current auditor is Grant Thornton UK LLP. Their appointment was made under a contract let by the Audit Commission. Following closure of the Audit Commission this contract has been managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State for Communities and Local Government.

- 2.2 Over recent years we have benefitted from a reduction in fees of about 60% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the major accountancy firms and savings from the closure of the Audit Commission. The Council's current external audit fees are £95,000 a year for the County Council and £24,000 for the Warwickshire Pension Fund.
- 2.3 When the current transitional arrangements come to an end, on 31 March 2018, the Council will move to local appointment of the external auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for a substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered the NHS and local government bodies and offered maximum economies of scale.
- 2.4 The scope of the audit work will still be specified nationally, with the National Audit Office (NAO) responsible for writing the Code of Audit Practice which any firm appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work. All firms will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.
- 2.5 The number of firms registered is not yet known but it is expected that the list of eligible firms will include the biggest 10 or 12 firms in the country, including our current auditor. It is thought to be unlikely that small local independent firms will meet the eligibility criteria.

3.0 Options for the Local Appointment of External Auditors

- 3.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014:
- Make a stand-alone appointment
 - Set up a Joint Auditor Panel/local joint procurement arrangements
 - Opt-in to a sector-led body

The remainder of this section considers the advantages/benefits and disadvantages/risks of each of these options.

Option 1: Local Appointment of External Auditors

- 3.2 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the Panel must be wholly or a majority of independent members, as defined by the Act. Independent members for this purpose are independent appointees; this excludes current and former elected members or officers and their close families or friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award with a contract for the Council's external audit.

Advantages/benefits

- Setting up an Auditor Panel allows the Council to take maximum advantage of the new local appointment regime and have some local input to the decision.

Disadvantages/risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated to cost £15,000 to £20,000 plus on-going expenses and allowances.
- The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- The assessment of bids and the awarding of contracts will have limited elected member involvement.

Option 2: Set up a Joint Auditor Panel/local joint procurement arrangements

- 3.3 The Act enables the Council to join with other authorities to establish a Joint Auditor Panel. Again this will need to be constituted wholly or a majority of independent appointees. Legal advice will be required on the constitution and governance arrangements of such a panel and the Council will need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- The costs of setting up the Panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- Greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract.

Disadvantages/risks

- The decision-making body will be further removed from local input, with potentially no or little input from elected members, depending on the constitution agreed with the other bodies involved.
- The choice of auditor could be complicated where individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out consultancy or advisory work for a council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards or a council may be excluded from the appointment by the Auditor Panel and need to make their own arrangements.

Option 3: Opt-in to a Sector-Led Body

- 3.4 As part of the consultation on the new arrangements the LGA successfully lobbied for councils to be able to 'opt-in' to a sector-led body appointed by the Secretary of State under the Act. A sector-led body would have the ability to negotiate contracts with the accountancy firms nationally, maximising the opportunities for the most economic and efficient approach to the procurement of external audit on behalf of the whole sector.

Advantages/benefits

- The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.
- By offering large contract values the accountancy firms would be able to offer better rates and lower fees than are likely to result from local negotiation
- Any conflicts at individual authority level would be managed by the sector-led body that would have a number of contracted firms to call upon.

Disadvantages/risks

- Individual elected members would have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
- In order for the sector-led body to be viable and to be placed in the strongest negotiating position the sector-led body will need councils to indicate their intention to opt-in before final contract prices are known.

4.0 Proposed Way Forward

- 4.1 The Council has until December 2017 to make an appointment, with the contract for the new auditors starting in April 2018. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 4.2 It is recommended that the authority opts-in to a sector-led arrangement as it is the most economical and efficient option and also minimises the senior management time needed to arrange the appointment of an independent Auditor Panel and negotiate such a contract for the first time.
- 4.3 The sector-led option would be PSAA Limited, as on 25 July 2016 the Department for Communities and Local Government named PSAA as the body authorised to make future audit appointments on behalf of local authorities in England. Nearly 270 councils and local bodies have already expressed an interest in joining the national scheme which PSAA will manage and develop. These authorities and the County Council, if the recommended option is agreed, will now be required to take a formal decision to opt-in.
- 4.4 As the body that approves the annual Statement of Accounts the final decision on which option to pursue lies with full Council. Audit and Standards Committee are asked to consider the information in the report and recommend to full Council that the County Council opts-in to the approved sector-led body (PSAA) arrangements for the appointment of the Council's external auditor from April 2018.

5.0 Financial Implications

- 5.1 The current external audit fees are expected to increase when the current contracts end in 2018. The extent of any additional budget provision required and whether this can be managed from within existing resources depends on the level of fees negotiated going forward and the option chosen.
- 5.2 Opting in to the national sector-led body provides the maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an Auditor Panel.

Background Papers

None

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Portfolio Holder	Alan Cockburn	alancockburn@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

None

Audit and Standards Committee

8 September 2016

Adult Social Care Update

Recommendations

The Audit and Standards Committee consider and comment on:

1. The action taken to address current issues in Adult Social Care.
2. The training provided to staff and planned for the future.
3. The progress on the implementation of MOSAIC.

1.0 Key Issues

- 1.1 **Care Act:** Described by Government as the most significant reform of Adult Social Care legislation in 60 years; Warwickshire's successful implementation of the Care Act was achieved through a 'whole council' approach lead by a small implementation team based in the Social Care and Support (SCS) business unit that coordinated work-streams in existing projects and programmes across the People, Resources and Communities Groups and in Public Health. Implementation was monitored through the 'Care Act Oversight Group' that reported directly to Corporate Board and provided regular reports and representations to: Cabinet, Corporate Board, Health & Wellbeing Board, and the Adult Social Care, Health Overview and Scrutiny Committee.
- 1.2 Warwickshire County Council (WCC) and key partners were engaged in a number detailed impact assessment workshops that resulted in a comprehensive analysis of the impact of the Care Act, and provided a clear understanding of the actioned required to achieve full implementation.
 - 1.2.1 The detailed impact assessment included an Equalities Impact Assessment (EIA) to ensure our approach to Care Act Implementation did not disadvantage customers, carers or staff regardless of their protected characteristics.
 - 1.2.2 Co-production played a significant role in planning for the Implementation of the Care Act and included, staff, customers and carers being engaged through a number of workshops and roadshows supported by a numerous

organisations including Warwickshire Healthwatch, Community and Voluntary Action, the Race Equality Partnership and Age Uk Warwickshire.

- 1.3 Following the detailed impact assessment workshops, all areas of the council affected by the Care Act prepared detailed implementation plans that were agreed and monitored through the Care Act Oversight Group.
- 1.4 Social Care and Support delivered **Mandatory Care Act Training** through a comprehensive mandatory E-Learning package, Legal Training and a programme of one day training seminars.
- 1.5 Ongoing support to frontline staff is provided through a Care Act Champions development programme creating subject matter experts for:
 - Carers
 - Ordinary Residence and Continuity of Care
 - Personalised Assessment and Support Planning
 - Advocacy
 - Information and advice
 - Safeguarding Adults and Self Neglect
- 1.6 The impact of the Care Act is monitored monthly and has just been subject to an internal annual review. WCC also participates in a regular review by the Local Government Association (LGA), ADASS and the Department of Health where it has demonstrated good progress in all areas.
- 1.7 'Personalisation' a key principle of the Care Act was recently subject to an internal audit by the Risk and Assurance Team and SCS are developing an action plan to ensure full implementation of its findings.
- 1.8 The Care Act Team has been disbanded and all implementation activity is complete or been transferred to business as usual with oversight from existing governance structures.

- 2.0 **Deprivation of Liberty Safeguard (DOLS):** The Mental Capacity Act allows restraint and restrictions to be used but only if they are in a person's best interest. Extra safeguards are needed if the restrictions and restraints used will deprive a person of their liberty. These are called Deprivation of Liberty Safeguards [DoLS]. DoLS is the procedure prescribed in law when it is necessary to deprive of their liberty a resident or patient who lacks capacity to consent to their care and treatment in order to keep them safe from harm. There are timescales prescribed in law for how long the Local Authority has to undertake the assessments and grant authorisation, this is a maximum of 28 days. In March 2014 the Supreme Court handed down a judgement that provided clarification on the interpretation of a DoLS. The ruling lowered the threshold as to the circumstances that constitute a deprivation and as a consequence led to a substantial increase in the number of DoLS applications received by Councils. (The term application is used to describe the action of

referral into the DoLS service for assessment and authorisation of a deprivation in a care home or hospital).

2.1 ADASS information for **2013/14** reported that nationally there were **10,050** applications to local authorities, after the Supreme Court ruling, HSCIC data of 152 (from 166) council's report the number of applications to have risen to **113,300 for 14/15**, to **194,395 for 15/16**. The rate of applications continues to increase into 16/17.

2.2 Nationally, councils have been overwhelmed by the demand and have invested additional funds (including an additional national in-year allocation in 15/16) from the Department of Health. The DOH allocation for Warwickshire was £238,000. Furthermore to address the under capacity of the DoLS service the council has trained additional staff to undertake the statutory role of the Best Interest Assessor to manage the urgent applications. In order to meet the demand of the waiting list due to increased referrals from care homes,(as opposed to urgent applications), as a consequence of the lower threshold, a total of £266,400 was spent on procuring agency staff to undertake assessments on behalf of Warwickshire (610 assessments).

2.3 Warwickshire Statistics for DoLS Service

Background: 2015/16

- **1,978:** applications were received by the DoLS service. This equates to a 202% increase from the previous year
- **1,255:** applications have been scrutinised. This figure includes authorising a deprivation of liberty, reviews and non-deprivation (i.e. those not authorised following an assessment). Activity from 2015/16 will impact on activity in 2016/17 due to reviews of those who require a further period of deprivation (approx. 60 per week) in addition to new applications.
- **610:** of the applications were assessed through procurement of agency staff using the one off DOH funding.

Current status: 2016/17

- **789:** Residents in Warwickshire are subject to an authorised DoLS (figure in July 2016). A DoLS can be authorised for up to 12 months. The number of authorised DoLS in any one month will vary due to some people regaining capacity, lesser restrictive care plan or death.

2.4 In Warwickshire the forecast this year continues to increase with a waiting list of approximately 890 referrals, however this changes daily due to referrals

from care homes at an average rate of 30/40 cases per week. In addition urgent referrals from acute settings has also increased which impacts on the capacity of the Dols service to respond in a timely manner due to the limited provision of Best Interest Assessors [BIA's] that are employed by WCC to undertake the statutory role. The current capacity of the in house BIA resource is on average 26 referrals per week, The total predicted number of applications for **2016/17 is in excess of 2,500.**

2.5 The DoLS service continues to manage the waiting list in addition to urgent applications. However we are in breach of the statutory timescales for the cases on the waiting list that could result in a legal challenge. To reduce the risk to vulnerable customers, who may be deprived of their liberty in the absence of the appropriate legal safeguards, and WCC, the service continues to triage and prioritise all referrals received on a weekly basis using the ASASS priority screening tool.

2.6 The risk is further compounded by the failure to secure a further exemption to procure agency to undertake the statutory role of the BIA. The request was to approve the purchase of a further 680 assessments to address the waiting list, however this was declined. The advice given has instructed that we need to undertake formal procurement.

A significant overspend has been forecast on the DoLS cost centre. The financial burden in part has been met from the Adult Mental Health budgets (staffing costs), however the forecast (if we include reviews) is in excess of **£700,000.** (This includes the cost of the BIA and the medic fee).

The DoLS service have presented a paper highlighting the current position to the Adults Safeguarding Board and a further paper will be scheduled for GLT to seek advice regarding next steps including the financial position in meeting our statutory duties.

2.7 The People Group Leadership Team has requested a detailed paper explaining the impact of the Supreme Court ruling with proposals for WCC's long term response to the ongoing and increasing demands on the service.

2.8 The DOLS Service was recently subject to internal audit by the Risk and Assurance Team and SCS are currently developing an action plan to ensure full implementation of its recommendations.

2.9 Following the Supreme Court ruling SCS provided additional training, support and guidance to frontline staff and service providers.

2.10 In response to increased DOLS referrals SCS has trained additional DOLS assessors and authorisers.

2.11 The ADASS guidance has been implemented, the additional staff trained and a detailed paper is due to be considered by the People Group Leadership Team approximately November 2016.

- 3.0 Mosaic:** People Group are currently implementing 'Mosaic' a new case recording and workflow management system. Implementation is being led by a team based in the Professional Practice and Assurance (PPA) Business unit with dedicated resources from Children and Families, and Social Care and Support. Implementation governance is provided through the Customer Information Systems Project Review Board.
- 3.1** SCS are working closely with the Mosaic Implementation Team to build and test all SCS system requirements. SCS are members of the 'Change Advisory Board' that oversees systems development and testing and have a seat on the Customer Information Systems Project Review Board.
- 3.2** SCS are working with the Mosaic Implementation Team to develop E-Learning and revised practice guidance.
- 3.3** SCS are leading on the training and support of 100 Mosaic Champions who have played an integral role in systems development and testing and will provide essential support and training to staff immediately prior to and in the months following the implementation of the new system.
- 3.4** Implementation of Mosaic is being phased; currently Children and Families will switch over 7th -11th October 2016 and Social Care and Support is still to be confirmed. The training model being adopted by the Mosaic Team is known as 'just in time' and consequently the majority of training activity will take place in the month prior to the service switching over to the new system.
- 4.0 Case File Audit:** The Council's Risk and Assurance Team conducted an audit of the Adult Social Care case file audits during October 2015, concluding that 'controls provide 'moderate' assurance that risks are being managed.' Recommendations were made on improving compliance with the audit procedure, clarity on roles and responsibilities between Business Units; moderation arrangements and quarterly reports to Senior Management.
- 4.1** Case File Audit: SCS completed 168 case file audits between 1st April 2015 and 31st March 2016. 29 audits have been completed so far between 1st April 2016 and 30th June 2016. This compares to 99 audits between January and December 2014.
- 4.2** The PPA Business Unit is leading a Case File Audit Working Group is producing a single case file audit procedure (including moderation) in the People Group and overseeing the further development of audit tools for both Adult and Children's Social Care. It creates the potential to make case file audit easier to conduct, more consistent and will address the recommendations made in the separate internal audits of case file audits in Adult and Children's Social Care. Quarterly quality assurance reports to Senior Management in SCS now bring together audit findings and other sources of information on the quality of social care practice including Quality Assurance Panels and Back to the Floor reports.

4.3 Case file audits during 2015-16 have recorded evidence that customers are safe and in control of their care and support, their views and wishes recorded and they have been fully involved in their assessments, support plans and reviews. Importantly, customers' desired outcomes are clearly recorded. The case file audits found that in 86.3% of cases the customers file contained specific reference to the customer being safe. The case file audit tool asks if there is evidence that the customer is safe with the option to answer 'yes' or 'no'. An answer of 'no' is likely to mean that customer safety is not specifically mentioned in the customers record. The case file audit procedure states: "it is the responsibility of the person auditing the case to ensure that any immediate concerns are identified regarding an adult/child/young person's safety or wellbeing during the course of the audit. They must ensure that the allocated social care practitioner is made aware of these concerns as a matter of urgency and takes appropriate action." Additional assurance is provided by the Adult Social Care Outcomes Framework (ASCOF) measure 4B – the proportion of people who use services who say that those services have made them safe and secure. In Warwickshire this figure was 91.1% for 2015/16 making it a high performing Council and placing it in the top 25% of all English local authorities.

4.4 Case file audits identify three areas for improvement. They are:

(1) In comparison to customers, carers are 6.5% less likely to have their views recorded, 26.4% and 23.2% less likely with regard to their wishes and experience of services respectively. While this is an important finding given the essential roles played by carers to prevent, reduce and delay the need for care and support, the Care Act now requires Carers to be offered an assessment in their own right; in Warwickshire this has led to an 86% increase in carer's assessments and consequently it is more likely a carer's views are captured in a separate assessment and may not be visible to the current Case File Audit Tool. This issue will be addressed through the development of the revised Case File Audit Procedure and Tool.

(2) Whilst desired outcomes are recorded in 86.9% of cases, only 32.7% had timescales for achieving them and 50.7% had evidence of progress on outcomes (this is an improvement from Quarter 3 where it was 29% and 50% respectively). Ensuring that support plans are SMART (Specific, Measurable, Achievable, Realistic and Timely) will help staff, customers and carers to review the effectiveness those plans to achieve the best outcomes and use of resources. Specific Outcomes were introduced by the Care Act when staff were provided with initial training followed by support from the Care Act 'Personalised Assessment and Support Planning' Champions. WCC has now commissioned all its domiciliary care through a system of 'Outcome Based Commissioning', the recording system is being revised to support more effective recording and monitoring of specific outcomes and staff are being provided with additional training and revised support and guidance.

(3) 41% of customers had been offered a direct payment (this is an improvement from Quarter 3 where it was 40%). It is notable that SCS guidance on direct payments states: 'the general principal of direct payments

is that they must be offered to all eligible customers and potential customers, but may not be forced upon them.’ Therefore, this figure should be significantly higher. Currently the offer of a direct payment is captured by a non-mandatory tick box in the Care First Assessment document. Many customers and/or their carers decline the offer of a direct payment due to issues such as, capacity, frailty or a lack of confidence or desire to manage their own affairs. Unfortunately where this is the case, workers often fail to record the offer of a direct payment correctly. To address this, SCS are implementing revised guidance and making the tick box in the new Mosaic recording system a mandatory field which will prevent staff progressing with their assessment until the offer of a Direct Payment has been properly recorded.

- 4.5** The Case File Audit Working Group led by PPA will produce the single case file audit procedure in the People Group and oversee the further development of audit tools for both Adult and Children’s Social Care. PPA will continue to be responsible for overseeing the current audit process and the PDT will lead the development of the revised audit tools overseen by the Case File Audit Working Group. It will be a sustainable solution that provides information on the quality of Adult Social Care and will help celebrate success and drive improvements in practice.

Background papers

None

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**Audit and Standards Committee
Work Programme 2016/17**

Item	Lead Officer	Date of next report
Adult Social Care Update	Mike Wood	September 2016
External Auditors Annual Governance Report 2015/2016	Virginia Rennie	September 2016
Statement of Accounts 2015/2016	Virginia Rennie	September 2016
2015/16 Statement of Accounts - Pension Fund	Mathew Dawson	September 2016
External Auditors Annual Governance Statement - Pension Fund 2015-2016	Mathew Dawson	September 2016
Annual Governance Statement 2015/16	Garry Rollason	September 2016
Appointment of External Auditors	Virginia Rennie	September 2016
Internal Audit Progress Report	Garry Rollason	September 2016
External Auditors Progress and Update Report	Virginia Rennie	September 2016

